





WORLD BRIEFS

Belfast, Warns the... Minister Margaret Thatcher...

U.S. Military... The House of Representatives...

Tough Line in... Florida urged the authorities...

Stop Tibetan... Police broke up a small...

Angola... Delegates...

Party Registers in... The opposition...

UPDATE... The report was shut down...

Pan Am... other...



Mr. Dukakis got a little help from his friends after stumbling during a stop in Melrose Park, Illinois.

Dukakis Promises to Ban Lobbying By Ex-Officials During His Tenure

GREENSBURG, Pennsylvania — Governor Michael S. Dukakis, strongly criticizing the Reagan administration, said Wednesday that as president he would sign an executive order barring former high officials from lobbying the government for the duration of his time in office.

Local Coverage Is Giving Quayle a Boost

By B. D. Ayres Jr. — Mr. Quayle himself has said that he does not expect it to change much — and in an effort to recoup, they have focused their energies on local coverage, which they feel they can more easily influence.

Is That Churchill, JFK or FDR? No, It's 'The Quayle'

New York Times Service — Senator Dan Quayle has compared himself to John F. Kennedy ("Jack Kennedy was about my age when he ran for president"), Winston Churchill ("Churchill was not a great student") and Franklin D. Roosevelt ("FDR failed the bar examination a number of times").

Noriega Connection: What Did Bush Know, and When Did He Know It?

By Stephen Engelberg and Jeff Gerth — WASHINGTON — Throughout the 1988 presidential campaign, opponents of Vice President George Bush have invoked the name of General Manuel Antonio Noriega, the Panamanian ruler, as shorthand for questioning Mr. Bush's judgment.

"How can I diversify my investments if I only have US\$2,500?"



"Diversification" is the magic word in investment these days. Everyone wants to spread their investments over a range of economies, currencies, and business types. But how can the small investor do this if he only has US\$2,500?

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THE GIN OF ENGLAND

INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

Smooth Soviet Talking

It was the Soviet Union's turn at the United Nations on Tuesday. In contrast to President Reagan's retrospective on Monday, Foreign Minister Eduard Shevardnadze looked ahead to ways in which the world body's "renaissance," as he called it, could be deepened and confirmed. The interesting thing was how smoothly and purposefully the Kremlin has moved to take advantage of its improved relationship with the United States in its dealings with other nations around the world.

Not Only Fraud in Seoul

They wept for sadness in Seoul when Ben Johnson, "the world's fastest human," tested positive for steroids and was stripped of his gold medal. Hours later, Greg Louganis wept for joy as the narrow victor over a spectacular Chinese teen-ager in diving from the high platform. These two episodes showed the best and the worst of Olympic competition.

What Kind of Tax Rise?

Everyone knows that Ronald Reagan presided over a huge tax cut on talking office, particularly for the rich and corporations. Less well known, because neither Mr. Reagan nor his opponents have had the same interest in publicizing it, is what happened next. The president, beginning in 1982, signed a series of tax increases that together have now taken back more than half of what he and Congress gave away in 1981 — although the net tax out is still very large, and the major contributor to the deficit.

Other Comment

Punish the Trainers, Too
Drug use by an athlete makes competition meaningless. A statement issued by a group of Olympic athletes after Ben Johnson was stripped of his medal called for "the establishment of unannounced random testing for athletes in training and competition on an international basis" — a step that is obviously overdue. But testing alone is not enough.

Still Waiting for Thatcher the European

LONDON — Margaret Thatcher, now in her third triumphant term as prime minister, is the senior European leader. Her complete dominance of the British political scene, her prestige, the force of her personality make her the one who could carry the European Community's gold-starred blue flag to consolidate great new European power. Yet she doesn't seem tempted.

Poison Gas: Everybody Minding His Own Business

LONDON — The other face of the United Nations, its insistence on your right to commit atrocities inside your own border, will be on display in New York until Christmas.

Swift Ben Johnson Wasn't the Only Loser

WE WERE climbing side by side in the Italian Alps. Luca and I, and the boy was showing normal reluctance to go further. So I excited my 8-year-old son's imagination by talking about the coming Olympics. We would be watching the great competitions together in a few weeks, I said. The big event, a combat of giants, would be Carl Lewis vs. Ben Johnson in the 100 meters.

Campaign: Gorbachev Is Outscoring the Debaters

PARIS — The difference between what Mikhail Gorbachev says to the Soviet people and what George Bush and Michael Dukakis say to Americans is that Mr. Gorbachev is trying to deal with reality while the two presidential candidates are doing their best to stay away from it.

Where Are the Big Men With Their Big Visions?

NEW YORK — The stern, surly, earnestest governor is saying, "I care very deeply about people, all people, working people, working families." The amiable, goofy vice president is saying, "I don't want my grandchild to go into an X-rated movie." Who are these guys, you wonder?

Foresight In Tokyo And Bonn

PARIS — The populations of both Japan and West Germany have virtually stopped growing, while those two socially disciplined nations continue to pile up enormous trade surpluses with the United States and other nations. Curious coincidence or economic Darwinism?

100, 75 And 50 Years Ago

1888: Slave Trade Brisk
PARIS — The Independence Belge publishes a letter from Laghouat, on the extreme southern frontier of Algeria, announcing that the slave trade is flourishing on French territory there. Two hundred slaves of both sexes have been sold at Laghouat, and the trade is doubtless very brisk in the provinces of Constantine and Oran.

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Mr. Nossiter, a longtime foreign correspondent for The Washington Post who later covered the United Nations for The New York Times, writes a weekly column from London.

Mr. Arlen writes about television. He contributed this to The New York Times.

Mr. Arlen writes about television. He contributed this to The New York Times.

10 Milestones En Route to... SAE EURO PAGES NO...

Foresight In Tokyo And Bonn

By Jim Hoagland

PARIS — The population of both Japan and West Germany have virtually stopped growing...

The combination of demographic and economic changes in Japan and West Germany...

Consequently, the forthcoming changes in banking and other financial services are a cornerstone for the EC's goal of creating a truly single market by 1992.

However, forming a financial free zone remains one of the most daunting and ambitious aspects of "1992."

Many problems are yet to be resolved by the European Commission, the 12 finance ministers and the European Parliament before the member countries can coexist under the proposed Single Banking License.

The EC directives covering banking and other financial services, including securities, have three primary goals: abolishing all money exchange controls among member countries; allowing banks, securities houses and other financial institutions to sell their services anywhere in the EC; and guaranteeing the freedom of those

institutions to establish branches throughout the EC. A milestone was passed last June, when the finance ministers set a timetable for the lifting of currency controls. By mid-1990, all limits must be removed on the flow of money in and out of the eight richest EC countries.

Lifting controls means that France must no longer prohibit French citizens from opening accounts with British, Spanish or other non-French EC banks. Italy must no longer ban its banks from lending to Greeks, West Germans or other non-Italian EC citizens.

For banks within the EC, there will be both winners and losers, and some experts predict that by the year 2000 the EC will be dominated by a relatively few megabanks and clusters of regional banks that have developed alliances. The increased competition will put pressure on profit margins and force a new emphasis on service.

Technology will become more important as institutions race to modernize. Some will carve out specialties, while others will expand, largely through mergers, joint ventures and other forms of alliances in other countries.

Since 1986, when Deutsche Bank of West Germany bought Banca d'America e d'Italia of the Bank of America. See Integration, page 11

See Interview, page 11

1992

The World's Rendezvous With Europe

Banking and Finance / Toward a Single Market

Milestones and Obstacles En Route to Integration

Money is the grease for the wheels of change in Europe. Without the free movement of capital among the 12 European Community nations, there would be little point in the free movement of people, goods and services.

The first step: free capital flow by 1990

Consequently, the forthcoming changes in banking and other financial services are a cornerstone for the EC's goal of creating a truly single market by 1992. Jacques Delors, the president of the European Commission, the EC's 17-member policy-making body, says that opening up the savings and other money resources of the EC's 320 million residents will "enable our financial services to catch up with New York and Tokyo."

The EC's Top 20

Of the world's 50 largest banks, 20 are from the EC. France and Germany have 6 each, Great Britain four, the Netherlands three and Italy one.

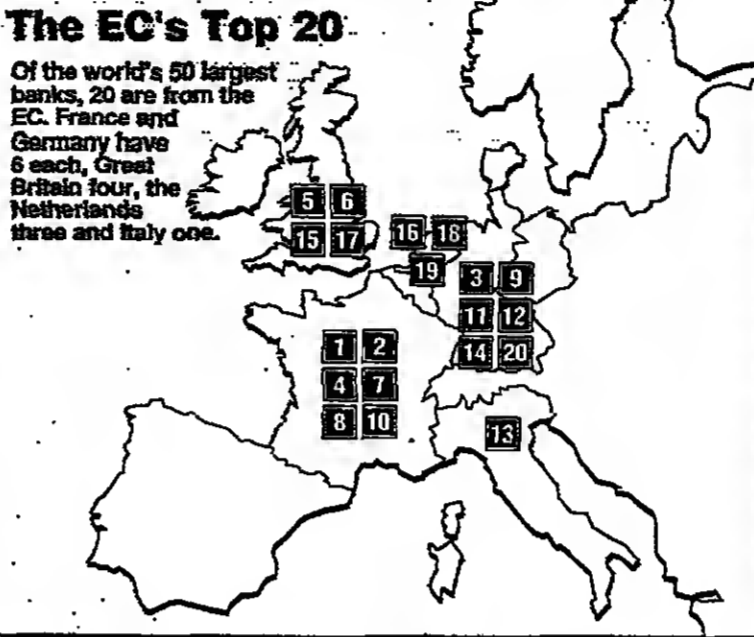


Table with 4 columns: EC rank, Bank, Worldwide rank, 1987 assets. Lists banks like Credit Agricole, Banque Nationale de Paris, Deutsche Bank, etc.

Source: The Banker, July and October 1988.

Interview / Pierre Bérégovoy, French Minister for Finance and the Economy

Bérégovoy: The Need for a Common Monetary Policy

Pierre Bérégovoy, France's minister for finance and the economy, outlined his views on European monetary issues and other topics. The interview, which took place in Paris, was conducted by Axel Krause, corporate editor of the International Herald Tribune. Following are excerpts from the interview.

How would you describe Europe's weight today as a player on the world monetary scene? First, it is absolutely essential for Europe to speak on a basis of equality — with the Japanese and the Americans — on economic issues, and with the Soviets and the Americans on political issues.

policy cannot work effectively as long as Great Britain remains outside the EMS exchange mechanism.

So what happens in the meantime? I am pragmatic. We need to advance step by step, letting market forces work, and coordinating our interventions in the market in keeping with our agreed-upon objectives.

What do you see as providing the central banks do? Our uniquely wide range of existing products has given us the diversity of skills needed to develop equipment that will meet your needs, well into the next century.

Receive foreign currency reserves from national central banks. Its primary mission would be to manage the parity of the ECU with regard to the yen and the dollar. That would be a way of coordinating our monetary policy, and would represent a first step.

What is the importance of the date 1992? It is the deadline for the end of that year, but it can also be seen as Jan. 1, 1993. What we refer to as 1992 is, above all, a process, a continuing process. And there will be forestalling, and delay, including for the full harmonization of taxes in the Community.

A dynamic Europe should, and will, be built around the Franco-German duo. That relationship, I should emphasize, is not aimed at excluding anyone. But it does allow France and Germany to show the way.

What is your reaction to the widely held impression that France is blocking progress on harmonization of EC value-added taxes? First, it is clear that the EC Commission's proposals are too rigid. The Prime Minister [Michel Rocard] expressed the anxieties of France. My personal opinion is that we need to continue the discussions.

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Vertical text on the far left edge of the page, partially cut off.

# 1992 The World's Rendezvous With Europe

Insurance / Directives and Differentials

## Taking No Risks With Billions in Tax Money

The European Parliament, having pushed through one insurance directive, is poised to proceed to the next. The insurance sector is gathering its forces and laying its plans for the coming decade. And in Brussels, the European Consumer's Association is still wondering when, if ever, the EC will resolve its internal tax differentials.

"1992 is a catalyst, its effect is to focus attention on the issues. It's making things happen faster," comments Brian Griffin, EC Research Coordinator for the British Royal Insurance Group.

Royal Insurance, which last year picked up only 10 percent of its premiums in Europe, is interested in building up its share of the EC market. But, in Mr. Griffin's opinion, the idea of a

changes are coming in society. But 1992 is not a political issue, it's a business issue, and the politicians are being reluctantly dragged along behind."

The checkered history of the recent non-life directive, ratified by the European Parliament in June, lends weight to his argument. The directive allows cross-border trade in non-life insurance for companies with more than 500 employees or a minimum turnover of 24 million ECU (\$29.7 million), and could affect from 70 to 80 percent of all non-life insurance written in the EC.

Due to come into effect in 1990, it covers marine, aviation and transport risks, credit and surety insurance, fire, general liability, property

that freedom of insurance was inherent, even in the absence of a specific directive to that effect, under the Treaty of Rome. The case, centering on marine insurance and brought against Germany, was based on that country's reluctance to change its own national laws in accordance with the 1978 Coinsurance Directive.

The experience showed how easily, while defining the letter of the law, the true spirit of an open market could be missed. Similarly, embedded within the current directive is the proviso that taxes will continue to be collected, at the current rate, by

those states within which a risk is insured.

Commenting on the June directive, Robert Schmitz, legal counsel for the BEUC in Brussels, points out: "Taxation is certainly one of the hardest parts, and not really tackled. We see very little possibility of that particular problem being solved by 1992."

"It was either that or no directive," explains an official in Brussels. "Little by little..." He puts 20 years of effort into perspective by patiently explaining how national regulations, standards of living, fiscal policy, terms and contracts all had to be taken into

### The Tax Gap

By favoring mutual recognition rather than harmonization, the EC has endorsed the existing tax structure on insurance. For the European consumer, this means tax levels can differ by up to 30 percent from country to country.

	France	UK	Germany	Belgium	Lux.	Neths.
Fire	30/15	0	5	9.25	4	7
Life	5.15	0	0	4.4	2	0
Auto	18	0	5	9.25	5	7

consideration for six, nine, 10 and subsequently a dozen nations.

Indeed, even the latest directive is being phased in between 1990 and 1995 to allow Spain, Greece, Portugal and Ireland additional time to develop their indigenous industries.

By then, the EC will have introduced a directive allowing insurers to cover life insurance risks across the

continent. If the problem of taxation had been resolved, such a move could have offered immediate benefits to European consumers. But national governments are understandably reluctant to surrender such a lucrative source of funds: France collected some FF 2.2 billion in tax from the life insurance sector in 1986.

Steven Bartlett

Banking and Finance / Toward a Single Market

## Milestones and Obstacles En Route to Integration

Continued from page 1

for \$600 million there have been dozens of such alliances within the financial sector, both cross-border and domestic.

Dutch institutions, for example, need to expand because, despite their sophistication in banking and financial markets, their domestic market is too small to allow significant economies of scale. As a result, Amsterdam Rotterdam Bank recently entered a joint venture with Générale de Banque of Belgium, a move that not only expands their services, but also discourages takeover predators.

Spain has a larger domestic base, but its institutions also need to expand because they are smaller and less sophisticated than those from other countries that will be opening branches across the street. As a result, two of Spain's largest banks, Banco de Bilbao and Banco de Vizcaya, recently merged.

Despite the new ability to open branches in other countries, it appears unlikely that even the biggest European banks will undertake the astronomical expense of expanding comprehensive retail networks to other countries.

"Cross-border sales could mean teams of traveling bank salesmen wandering the Continent with a termi-

nal or a home bank in their briefcase," says John Quinton, chairman of Britain's Barclays Bank. "Perhaps more likely is the prospect offered by new technology for home banking anywhere in Europe."

For banking customers, a single financial market promises a wider variety of services and products from banks, including computerized home banking, EC-wide credit cards, automatic funds transfers, insurance, share dealing, fund management, mortgages and even travel agencies.

According to a Price Waterhouse study, the cost to consumers of banking services will fall by 11 percent across the EC: 5.8 percent in the Benelux countries, 9 percent in Britain, 13 percent in France and West Germany and 20 percent in Spain. The cheaper cost of financial services will help reduce inflation across the EC by 0.7 percent and add 1.5 percent to the EC's gross domestic product.

Those figures, of course, are based on the assumption that the EC members resolve their many differences.

Some obstacles are largely technical, such as setting standards for capital adequacy and solvency. Rules must be established for counting assets and setting assessment-versus-risk ratios.

Another technical obstacle is the formula for calculating and publishing

interest rates. There are currently four different methods of calculating rates within the 12 countries, and those rates can vary on an annualized basis by as much as a half a percent. Some standard must be set so that the 10 percent rate advertised by a bank in one country equals the 10 percent advertised in another country.

In approving the directive lifting currency controls last June, the EC finance ministers instructed the European Commission to come up with a compromise on taxation. France, particularly, fears that lifting controls will trigger a flight of capital to other countries where taxes are lower.

"The possibility for each state to safeguard methods for financing priority economic sectors should also be assured without limitation. What sense would the creation of a unified market have if a financial product is still taxed at 10 percent in one country and 33 percent in another?" asks Maurice Benussi, manager of the Centre National des Caisses d'Épargne et de Prévoyance in Paris.

Two other aspects of single-market financial services are controversial because of Britain's concern. One is the provision that banks, even those operating in other countries, continue to be regulated by their home countries rather than their host countries. Britain fears that its new, more strin-

gent Financial Services Act will hamstring British institutions trying to compete against institutions from other countries.

The EC says that competition will gradually force standardized regulation. Geoffrey Fitchew, director general of financial institutions and company law for the EC in Brussels, says banks competing in their own countries with foreign banks that offer more services "are likely to prove effective lobbyists for new freedoms."

But Timothy Sweeney, deputy head of banking supervision for the Bank of England, says, "We will not support a general drift to the lowest common denominator."

Britain is also concerned that it will be unfairly penalized by the EC banking directives' proposed rules on reciprocity. These rules say that non-EC banks may be barred from operating anywhere within the EC if they discriminate against or deny access to EC banks that want to operate in that country.

In Britain, where 400 of the 600 banks in the City of London are foreign-owned, the fear is that, for example, all U.S. banks might be ordered to close down if Italy or Greece were to claim that there weren't enough Italian or Greek banks in the United States.

Timothy Harper



Steve Schleisman, CEO of UNAT: "1992 is a business issue."

damage and financial loss. Yet immediately following the Treaty of Rome, it was hoped that harmonization could lead to such barriers being dropped by December 31, 1969.

Initial progress was particularly swift in the field of reinsurance, where a series of directives governing the right of establishment and services were passed into law by 1964. Other directives fared less well.

A fresh start was made in 1985, when the EC issued a White Book that proposed a more pragmatic solution, based on mutual recognition. In addition, to avoid the possibility of deadlock, it allowed decisions to be taken by a majority vote.

The following year, a crucial judgment by the European Court ruled

### The non-life directive is due to be in force by 1990

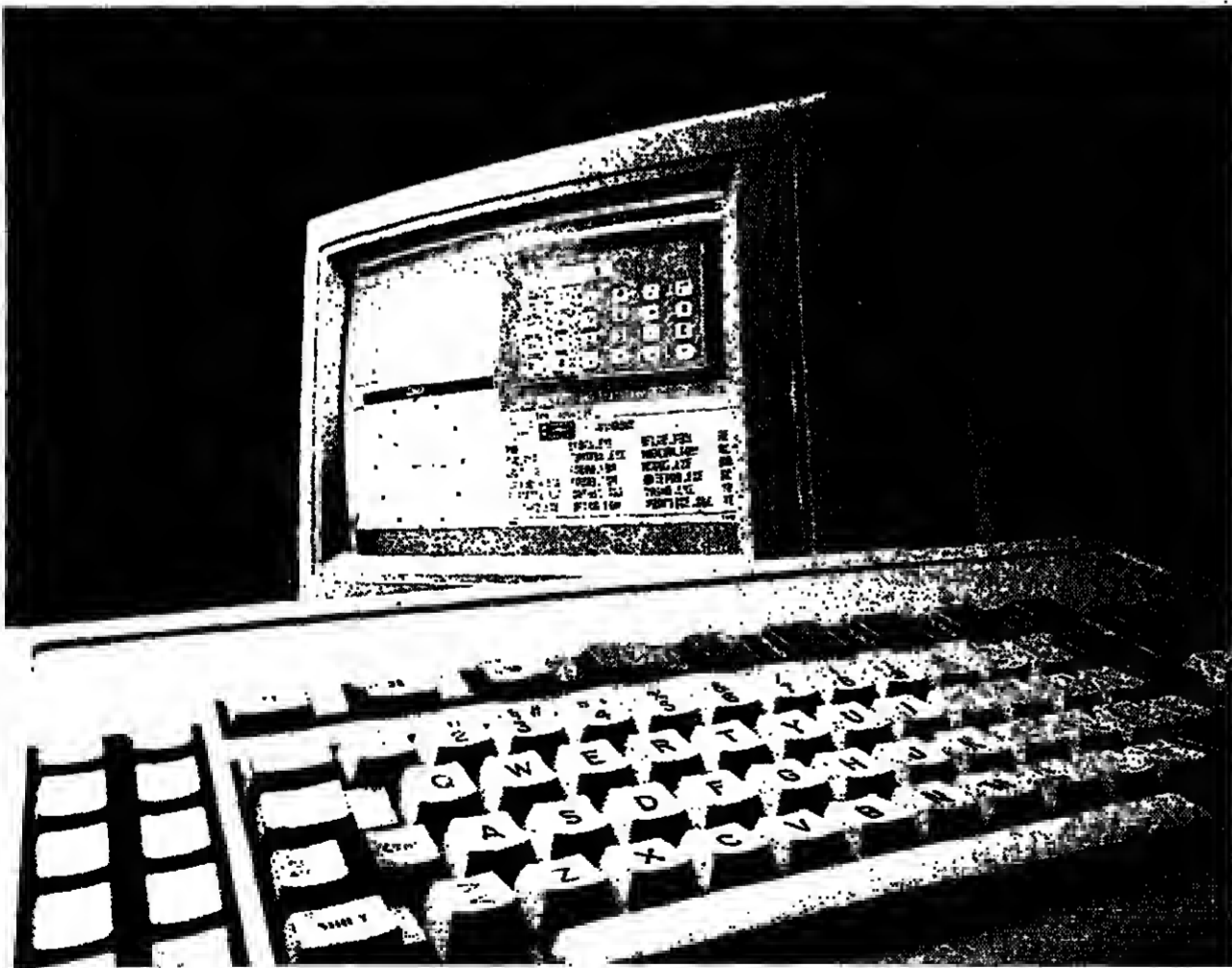
common policy that could be issued to consumers in every European country is still "a long, long way away." Today, according to Peter Seegar, a corporate planner with Aegon insurance in The Hague, Royal Insurance is among the small number of giants — including Allianz, Zurich, UAP and Generali — that can consider themselves invulnerable.

The cluster of companies in what he terms "the second division" could all become targets for takeover by others seeking to broaden their portfolios and European coverage. These targets are loosely defined as having revenues of around \$5 billion and a market capitalization of \$2-4 billion.

In this context, attack is often the best means of defense. Patrice Alain-Dupré of the Paris-based Compagnie du Midi concedes that one of the major gains his company made by acquiring British insurers Equity & Law was to strengthen its capitalization.

Steve Schleisman, who heads UNAT, the European arm of American insurance giant AIG, is confident that more insurance capacity and greater choice will be available to European risk managers in coming years. But he adds: "I believe big changes are coming in the industry because big

## On the desks of a unified Europe.



### Some facts about NOKIA:

- NOKIA is a major force in electronics in Europe. Figuring among its most important business areas are information systems, telecommunications, mobile telephones and consumer electronics.
- NOKIA DATA is the largest Scandinavian, and the seventh largest European, information technology company particularly in the supply of equipment for the banking, commercial and industrial sectors.
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# 1992 The World's Rendezvous With Europe

Retail Banking / In Pursuit of the Euroconsumer

## Consumer Credit Given Top Priority

Seventy-two percent of banks taking part in a recent survey conducted by the European Financial Management and Marketing Association (EFMA) placed their main hopes for increased profitability on retail-sector business. Consumer credit was seen as the biggest potential earner, and most respondents stated they were giving top priority to reorganizing their branch networks.

"The single internal market already exists in the banking sector. It will radically alter the rules of the game," suggests KPGM Peat Marwick Consultants in a report drawn up for the French banking association. "Competition in the provision of financial products and services to private cit-

mortgage finance for house buyers, is the first British building society to try its luck on the other side of the Channel. "We are offering mortgage loans to the Spanish public on conditions similar to those obtainable in the U.K.," explains Paul Gardnei-Bougaard, Europe and offshore development manager at the Abbey head office in London. "For instance, repayment can be linked with endowment life insurance, terms can stretch to 25 years, and interest rates are variable throughout the life of the loan."

British residents who find their dream cottage in France can turn to the U.K. office of the French Crédit Agricole group for help. "The loan can be made in either francs or pounds," explains Françoise Bilton at the group's central office in Paris. "Our London branch deals with the paperwork, and funds are available through the local Crédit Agricole in the same region as the house."

However, mortgage lending remains one of the most domestically minded sectors of personal finance. Procedures are closely tied to the varied real estate laws of each EC member country, mortgage funding methods differ widely, and in many cases loans are still extended through specialized institutions subject to government regulation based on national housing policy.

In Spain and Italy, for instance, the government uses special long-term instruments to direct financing techniques. In France, the state-run Crédit Foncier accounts for over 30 percent of the total market, while in Belgium two para-statal bodies deal with all subsidized mortgage finance and account for some 42 percent of the total home loans market. Savings banks and specialized mortgage lenders dominate in West Germany, and mortgage conditions are tightly regulated.

A draft EC directive on mortgage lending has so far failed to obtain general approval, and the Commission in Brussels is now taking a different approach. "As a first step we are trying to include home loans organizations with other credit institutions in a general directive," comments a Commission official. "This will deal with mutual recognition of licenses.

We can then see whether a special mortgage provision is still needed."

EC member states recently introduced a common format for national identity documents. But the plastic bank card could soon become the real passport to Citizens' Europe.

"It is important for the Community that cards issued in one member state can be used in the others," the Commission reminded the Council of Ministers at the beginning of 1987. "Technical compatibility must therefore be the aim, to be achieved notably through standardization. In this way the Community will take a major step toward the completion of an internal market for payment systems."

Each country has its own network of automatic cash dispensers and point of sale systems, while three major card systems currently compete across Europe. Eurocheque is a paper-based check guarantee system, launched in 1968 with backing from West German banks. It is now pushing into the electronic age by offering international links to members.

Eurocheque also has a 35 percent shareholding in Eurocard, a charge card system prevalent in Northern Europe. Visa International, a spin-off from the BankAmericard launched in 1958, is strongest in the south.

Forty banks from 17 European countries form the membership of the European Council for Payment Systems, set up in 1978. The card system operators are not admitted to membership, though each bank in the council adheres to one or the other of these systems.

In October last year the council concluded an accord aimed at making all their payment cards and systems compatible by the early 1990s. This agreement covers both automatic teller machines and point of sale setups.

"The council does not itself operate any payment networks," explains Thomas Slattery at the organization's Brussels office. "Rather it provides a forum for senior bankers dedicated to the orderly development of payment systems in Europe."

Some fear the development may be a bit too orderly, and that the accord will be anticompetitive in its effects, particularly with regard to nonbank

Diplomacy / Summit Fallout

## Fortress Europe?

The Aspen Institute for Humanistic Studies prides itself on organizing quiet, high-level meetings on crucial issues, which rarely attract much outside attention. But last month, behind the closely guarded walls of the medieval Carlsy chateau in Normandy, sparks flew over one of the key issues on this year's agenda: 1992 - its implications for Europe and the world.

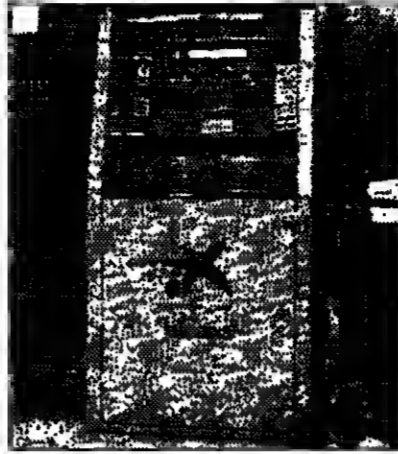
Raising the prospects of increased trans-Atlantic conflict over the 1992 plan during the next year, senior European and American businessmen and political leaders attending Aspen's annual world economic seminar were unusually blunt. "After hearing what I did here, I'm even more negative about Europe than when I came," said Senator Bob Packwood, Republican of Washington, one of about 50 participants. "These people don't want free trade at all, so as I told the meeting, we should push them as hard as we can to be more open - or else look to our friends in Asia."

More moderate, but equally ominous reactions about Europe's apparent drift toward protectionism came from other participants, which included senior executives from AT&T, IBM, Goldman Sachs, Compagnie Saint-Gobain, Matra, Havas, Fiat, and the World Bank. Responding to the harsh criticism, EC Commission official Jérôme Vignon said that although the Community's push for a borderless Europe was "irreversible," it will seek

to avoid discriminating against non-EC companies operating within the EC. "He did his best to defend Brussels, but many of us were unconvinced," said one of the executives. "And we are worried."

Some Aspen participants warned the EC Commission that it was failing badly in communicating its message about 1992 to its trading partners, notably in the United States and Asia. "Brussels doesn't seem to realize that the farther you are from Europe, the dimmer the message, and the greater the misunderstanding," said Jacqueline Grapin, economics correspondent in the U.S. capital for Le Figaro and a board member of Aspen. "My feeling, and of others in Washington, is that they should be trying to improve the 1992 image - fast, before it is too late."

At a news conference in Paris following the conference, Richard N. Gardner, former U.S. ambassador to Italy and co-chairman of the seminar, said that a report on the meeting was being prepared for the new American president and would be delivered shortly after next month's U.S. election. Gardner said that he and former U.S. trade representative William Eberle, co-chairman of the conference, will recommend to the new president that his administration pressure Europe to make sure that 1992 protects the interests of the United States, while remaining committed to an open global trading system.



The major card systems currently compete across Europe.

card issuers. The EC Commission is examining the competition aspects, and has also drawn up a code of conduct for payment systems agreements.

"One of the largest growth areas in Europe over the next 12 years will be that of proprietary and 'affinity' cards, especially among retailers," commented James T. Larkin of American Express. "There will be more such retailer-issued proprietary cards in the year 2000 than there will be those associated with credit institutions," Mr. Larkin added, speaking to a meeting of European bankers in Nice earlier this year.

As Europe opens up and banks and their competitors scramble for the available business, prospective customers at the top of the economic heap are getting the most attention. "High-net-worth individuals, top managers and young people are priority targets," reports EFMA.

Branch networks are being trimmed to push further automation of routine operations and concentrate staff on sophisticated tasks such as investment advice. "Europeans on average take on far fewer debt obligations than Americans," comments Michel Demont, a partner in Peat Marwick. To attract business and boost profits, banks and other credit institutions will encourage favored customers to borrow as much as possible.

"Top-of-the-range customers are limited in number, already much sought-after, and will doubtless become ever more inclined to shop around," EFMA points out. "Is it really possible to build a European network on such a narrow base?"

Michael Rowe



At the Carlsy Chateau in Normandy. Left to right: Robert McNamara, former head of the World Bank; Umberto Agnelli, vice chairman, Fiat group; Hisashi Owada, Japanese ambassador to the OECD; Denis de Kergorlay, director of Carlsy and Gauthier Sauvagnac, senior French government official.

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... Britain, where 400 of the ... in the City of London are ... owned, the law is that ... all U.S. banks might be ... down if they ... were ... that there were ... at ... break banks in the ... Timothy

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# 1992 The World's Rendezvous With Europe

Central European Bank / The Debate Intensifies

## Monetary Union Versus Independence

Pipedream, necessary evil, good idea, or plain common sense? These are just a few of the reactions that mention of a Central Bank for Europe can elicit from politicians, bankers, industrialists and Eurowatchers in general.

Although the idea has become a focus of tough talking only in the last few months, it is not new. For the supporters, some kind of common central authority to take charge of a common currency is built in to the principle of European monetary union, which itself is enshrined in the Single European Act. So why the howls of anguish and the declaration of British Prime Minister Margaret Thatcher "not in my lifetime" when the question is raised? And, if monetary union is inextricably linked to the

of a high-powered committee created at last June's EC ministerial summit. The committee, chaired by EC Commission President Jacques Delors, is to propose "concrete steps toward economic and monetary union."

The 17-member group is due to complete a draft report in April so the Community's finance ministers can mull over the conclusions before discussions begin in earnest at the Madrid summit next June. The committee, made up of the central bank governors of the 12 Community countries, three "wise men" and two EC representatives, got off to a "positive" start in Basle, participants said. But as they could not agree on the importance of monetary union, not even the vaguest of timetables for reaching the goal was set.

Politicians do not always have the last word over monetary issues. In West Germany, the central bank (Bundesbank) acts independently of government, whereas in France, Italy and to an extent in Britain, the position is reversed. So even if countries agreed on the notion of a central European bank, they would still have to decide who would pull the strings: the governments, the 12 central banks or the European institution itself. Basically, this leaves Europe with a choice of three formats for a common authority. The EC could either replace the national central banks or set up a U.S.-style Federal Reserve System controlled by the 12 central bank governors. Alternatively, it could opt for coexistence, with central banks transferring some cash to a Bank of Europe in order to fund the issue of European Currency Units (ECUs).

Valéry Giscard d'Estaing, former French president, and Helmut Schmidt, former West German chancellor — ardent advocates of monetary union — favor a Federal system and the use of ECUs alongside countries' own currencies. But apart from the political stumbling blocks facing these ambitions, a more immediate question is whether 1992 is doomed to failure without monetary union. The pro-union lobby fears that free cross-border flows of capital from 1990 will already strain the European Monetary System (EMS), the present mechanism for controlling exchange rates between most of the major European

currencies. Advocates of integration argue that cash would pour into countries with strong currencies (West Germany in particular), depriving the others of foreign investment and further weakening their currencies.

Even if 1990 comes and goes with no monetary union and no catastrophic consequences, the next flashpoint will come when the trade barriers fall in 1992. Already goods are shifted around to take advantage of exchange rates, thus putting pressure on distribution networks, according to Bertrand de Malignat, General Representative of the Paris-based Association for the Monetary Union of Europe. "It would be an anachronism to have the free movement of goods without a single representative value," he said. Industry is now taking over from politicians in accelerating the advance, Mr. de Malignat added.

Economists do not necessarily consider that monetary union should be a top priority, however. "The success of the single market does not depend on a central bank, although it would help," said Rainer Veit, Senior Economist at Deutsche Bank. He thinks it highly unlikely that monetary union either should or will be reached in the foreseeable future. "More urgent and controversial tasks like harmonizing taxation and subsidies should be tackled first," he said.

Europe must follow a logical order of events, a French government official said. "It should first strengthen the EMS, then introduce a single currency, and finally set up a central bank," he added.

Paul Home, International Economist at the U.S. investment house Smith Barney, Harris Upham in Paris, thinks a common European currency will operate in parallel with national currencies in the medium-term, while the "phenomenally successful" EMS is perfected further. "There will be no miracles in the Christmas stocking in 1992," he said. "The danger is in presenting the single market as a pipedream — it should be a process of evolution."

Bankers welcome the prospect of monetary union, but feel it is up to governments and the authorities to commit themselves to implementation. "The banking sector has played its part in promoting the use of the



British Prime Minister Margaret Thatcher: "We should not try to run before we can walk."

ECU," said Gilbert Lichter, General Secretary of the 83-member ECU Banking Association in Paris. (The Association is the clearing house for ECU deals.) "Bank assets denominated in ECUs soared from \$28 billion worldwide at the end of 1984 to \$110.2 billion in March this year," he said. "But more than 80 percent involved interbank transactions, which shows the ECU is still a long way from the man in the street."

Overall interest in the currency inside and outside the EC has intensified this year, however. The British government announced recently it would issue short-term Treasury Bills in ECUs, Lichter pointed out. "Three Japanese banks are already members of the Association, and others have applied to join," he added.

Wiltried Guth, president of Deutsche Bank, explained recently that monetary union would increase productivity in Europe, improving competitiveness and promoting economic growth. This, in turn, would boost banking activity and profits, he said. But on the negative side, banks would lose some of their foreign exchange earnings if Europe adopted a single currency.

Although the debate over a central bank will no doubt rage on, no decision can be expected until next year after the committee chaired by Jacques Delors has delivered its recommendations on "concrete stages" toward monetary union.

The advent of a central European bank might seem remote now, but as Deutsche Bank's Veit said, James Bond probably got it right when he said "never say never."

Barbara Cassabus

Consultants / Making a Market

## Expertise is in Demand As Countdown Continues

"Are you ready for 1992?" asks a questionnaire sent to company chiefs by KPMG Peat Marwick Consultants in France. Throughout Europe, consultants believe the answer is "no," and are setting out their stalls accordingly.

Suddenly everyone from university professors to organizers of business conferences is peddling wisdom on the coming single market. Firms offering advice range from long-established multinationals to outfits where the chief executive mans the switchboard and makes the tea. Accountants, management consultants, business schools and international law

for general sale as well as advising individual customers.

For many of the larger firms, corporate restructures and help with mounting or resisting cross-border takeover bids are particularly profitable fields. "Companies look to us for different things according to their size and international experience," explains Gerard Van Kammel, chairman of Arthur Andersen in Paris.

"A large multinational will have considerable in-house expertise, and might turn to us for advice on one or two specific strategic issues," Van Kammel continues. "A smaller company may need detailed help with a whole range of subjects, including competition and tax policy as well as more general planning questions."

The effects of Community regulations and directives in particular sectors are a good source of business for specialists setting up their own consultancy practices. Complex technical standards in the telecommunications industry and health rules relating to agriculture provide two examples.

Not everyone feels the need to go outside for advice. For instance, ICI in London relies on its own internal plan-



ning department. A number of large British banks have hired eminent academics or other consultants to tell them what Europe is all about.

Will all these advisers be celebrating the end of their jobs on New Year's Day, 1993? Almost certainly not. Few experts think that the single market will be fully operational by that date. Even when it is, consultants can hope for continued pickings from companies grappling with the new rules.

Michael Howe

### Europe has the choice of three formats to follow

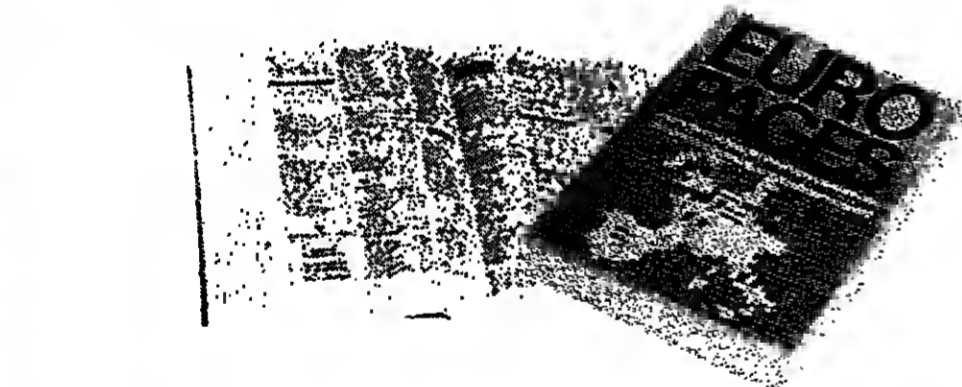
success of post-1992 Europe, why have the 12 European Community (EC) countries waited until now to bring it to the negotiating table?

One answer is the political and technical complexity of the issues involved. Thatcher's resolute opposition to the proposal illustrates the political hurdles. While stating her opposition to the idea of a central European government, she also says she could not envisage Britain's relinquishing control over monetary matters — the responsibility of a central bank — until there is political union of the 12.

With monetary union, governments would no longer be able to devalue their currency to recover export competitiveness. Instead they would have to let real wages fall, a risky endeavor politically. Moreover, by pooling their cash reserves, they would be sharing their wealth as well as their burdens. In contrast to Thatcher's opposition, France is enthusiastic on the whole. Germany seems to have warmed to the idea recently, and Italy, Belgium and Holland are in favor of the principle.

Divergences among Europe's central bankers surfaced clearly at the first meeting in Basle early this month

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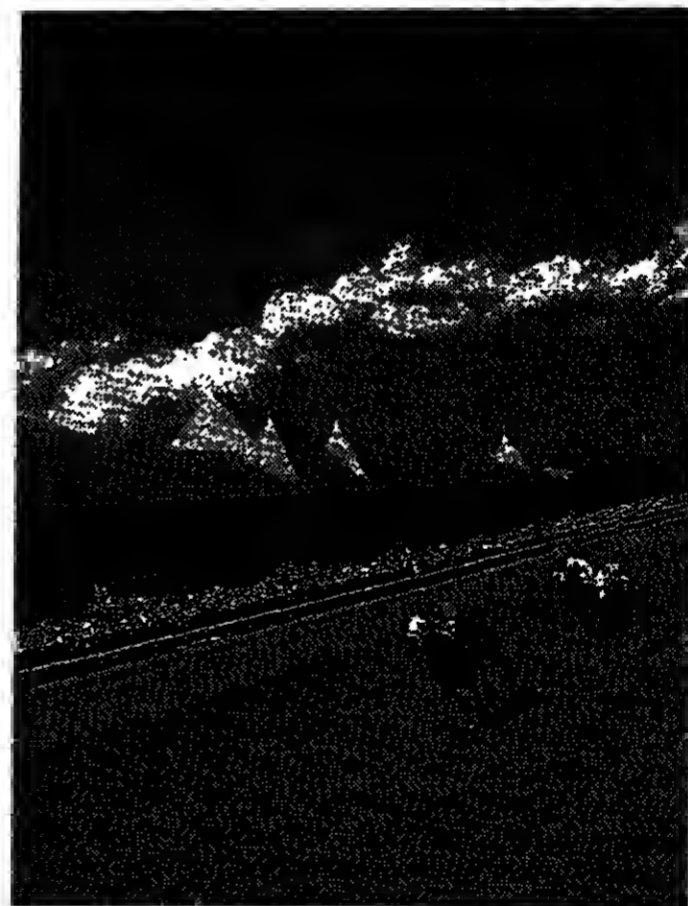
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# 1992 The World's Best

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Michael Rowe

While many American and European financial institutions have been retrenching since last October's Black Monday, the Japanese banks and securities houses operating in the EC seem intent on continuing to grow in anticipation of 1992.

### Japan / Corporate Finance

## EC Becomes Battlefield for Investment Houses

Yamaichi, one of Japan's — and therefore the world's — leading investment houses, is an example. Since the stock market crash last October 19, Yamaichi International (Europe) Ltd., based in London, has won a U.K. banking license and staked out its claims to become a major player in European corporate finance.

Like a number of other Japanese firms in the EC, Yamaichi is taking advantage of the skittishness among American and European competitors to hire away experienced employees

bles, sees a boom in corporate finance growing out of the EC's march toward a single market.

Michael Hutchinson, director of corporate finance at Yamaichi's European headquarters in London, cites the many companies — not only European, but also multinationals — that have been and will be raising money and repositioning themselves.

"There are significant 1992 opportunities, especially in mergers and acquisitions, and especially among companies that have to take into account the effects of 1992 on their markets," he says.

### First-quarter investment in Europe: \$1.5 billion

who have been laid off or become disgruntled by the retrenchments.

The strong yen and Japan's huge trade surpluses have given its banks and investment houses huge capital reserves and allowed them to operate at higher volumes and lower profit margins than their competitors.

Consequently, the Japanese financial houses in Europe are scooping up business that has been neglected by the American and European firms in their post-crash concentration on high-profit cores.

Unless more European banks and investment houses begin gearing up to compete for single-market business, some experts warn, the Japanese firms will have a commanding position. Gary Hamel of the London Business School says: "1992 is not about European competitiveness, it is about global competitiveness for European companies."

Only 31 of the 600 banks in London are Japanese, yet they account for 36 percent of London's international banking business, compared with just 13 percent for U.S. banks based in London. Among investment houses, five of the top six firms in lead-managing Eurobond issues are Japanese. Nomura, the leader, last year managed more than \$18 billion worth of Eurobond issues, nearly twice as much as the nearest non-Japanese competitor, Credit Suisse First Boston.

Yamaichi, one of those Japanese firms leading the Eurobond league ta-

Yamaichi, like other big Japanese institutions, is offering itself for full-service, one-stop shopping for all manner of cross-border deals: money moving from Japan to Europe, from Europe to Japan and, less often, from one European country to another.

Mr. Hutchinson says there have been several instances where European firms come to Yamaichi seeking Japanese buyers, and Yamaichi has found them better deals closer to home, with other European firms. "It's happened, but unintentionally," he says. "I don't think at this stage a company would engage us purely to find a European buyer."

Some observers, notably David Shirreff, a consulting editor for Risk magazine, believes Europe's single financial market could prove to be a staging area for the expected showdown for world dominance between U.S. and Japanese investment houses when those countries lift their rules barring banks from the securities field and vice versa, as they are expected to do by the end of the century.

"Europe is the only place where full-service financial institutions are permitted to operate," Mr. Hutchinson points out. "In the U.S., you have to be either a bank or a securities house. It's largely the same in Japan."

However, he says the Japanese thrust toward full-service institutions in Europe would be happening even without the prospect of a single market. Despite the increase in corporate finance activity, he says, considerable doubt remains over the development of the overall securities business in Europe.

"The hope of the promoters of the



Michael Hutchinson, director of corporate finance at Yamaichi's London headquarters.

Integrated European market is certainly that Europe will become as large a market as the United States and more significant, but I guess there remains a certain amount of skepticism among both American and Japanese, especially given the track record of non-cooperation among the European countries," he says. "Generally, Japanese companies are more concerned with getting into the U.S. securities market. They're not convinced about the market in Europe."

On the other hand, a recent report by Salomon Brothers in London predicts substantial growth — 5 to 10 percent per year — in investment in foreign equities by 1995, and cites the

nese investors overlook the British as the largest investors in global equities. To facilitate further investment from Japan into the EC, many firms are expanding into Europe. Nomura, for instance, is now planning to open research offices in Paris, Frankfurt and Brussels.

Also, several Japanese commercial banks have announced that they will begin offering corporate loans to EC companies, concentrating first on West Germany. Sumitomo Bank opened its Frankfurt office in early September, and Fuji Bank follows in October.

Another Japanese bank, Mitsubishi Trust, is opening its Frankfurt operation next year in a joint venture with West Germany's Westdeutsche Landesbank.

Meanwhile, some European leaders are briding at the Japanese expansion into the EC at a time when the foreign share of the assets of Japanese financial institutions is dropping — from 4.4 percent in 1979 to 3.8 percent in 1987.

The Bank of Japan says foreign institutions' stake in the Japanese banking industry has declined from 3 percent in 1979 to less than 1 percent in 1987. Even in foreign exchange, historically one of the strengths of foreign banks in Tokyo, their share has fallen from 38.5 percent to 31.4 percent since 1979.

In London, Yamaichi's Hutchinson says he is not overly concerned about the proposed reciprocity provisions in the EC's 1992 directives. Under those proposals, Japanese firms could be barred from operating anywhere in the EC if Japan discriminated against any individual EC country or firm trying to do business there.

"There's nothing new in that, really," Mr. Hutchinson says. "The threat has been around for a long time from individual European countries. What's new is the possibility of a unified threat."

He adds, however, that he doesn't think Japan deserves the image of a country trying to keep foreign firms out of its markets. "I certainly have the impression that Japan is trying very hard to make its markets as accessible as possible to foreigners. The Japanese recognize that if that doesn't

happen, they'll find themselves excluded."

For example, the delaying action against Nomura by Prime Minister Margaret Thatcher earlier this year was widely viewed as her way of telling Tokyo she was unhappy that its markets were not being opened more quickly to British firms.

Mrs. Thatcher blocked Nomura's application to act as a market-maker for U.K. gilts, but after a few weeks the license was granted.

In one of the most recent liberalization moves affecting foreign institutions, Japan's six largest banks announced on September 8 that they would begin tying their short-term prime rates to money market rates instead of the Bank of Japan's official discount rate.

The change, which could happen as early as November, follows the deregulation of deposit rates, and is expected to have the practical effect of weakening the traditionally close links between the big Japanese banks and Japan's massive industrial corporations. Even if they offer competitive interest rates, however, it remains to be seen how much major-corporation Japanese business foreign firms can lure away.

Because Japan has relatively little history of M&A and Western-style corporate finance, Japanese firms in Europe generally rely on non-Japanese experts such as Yamaichi's Hutchinson to oversee these operations.

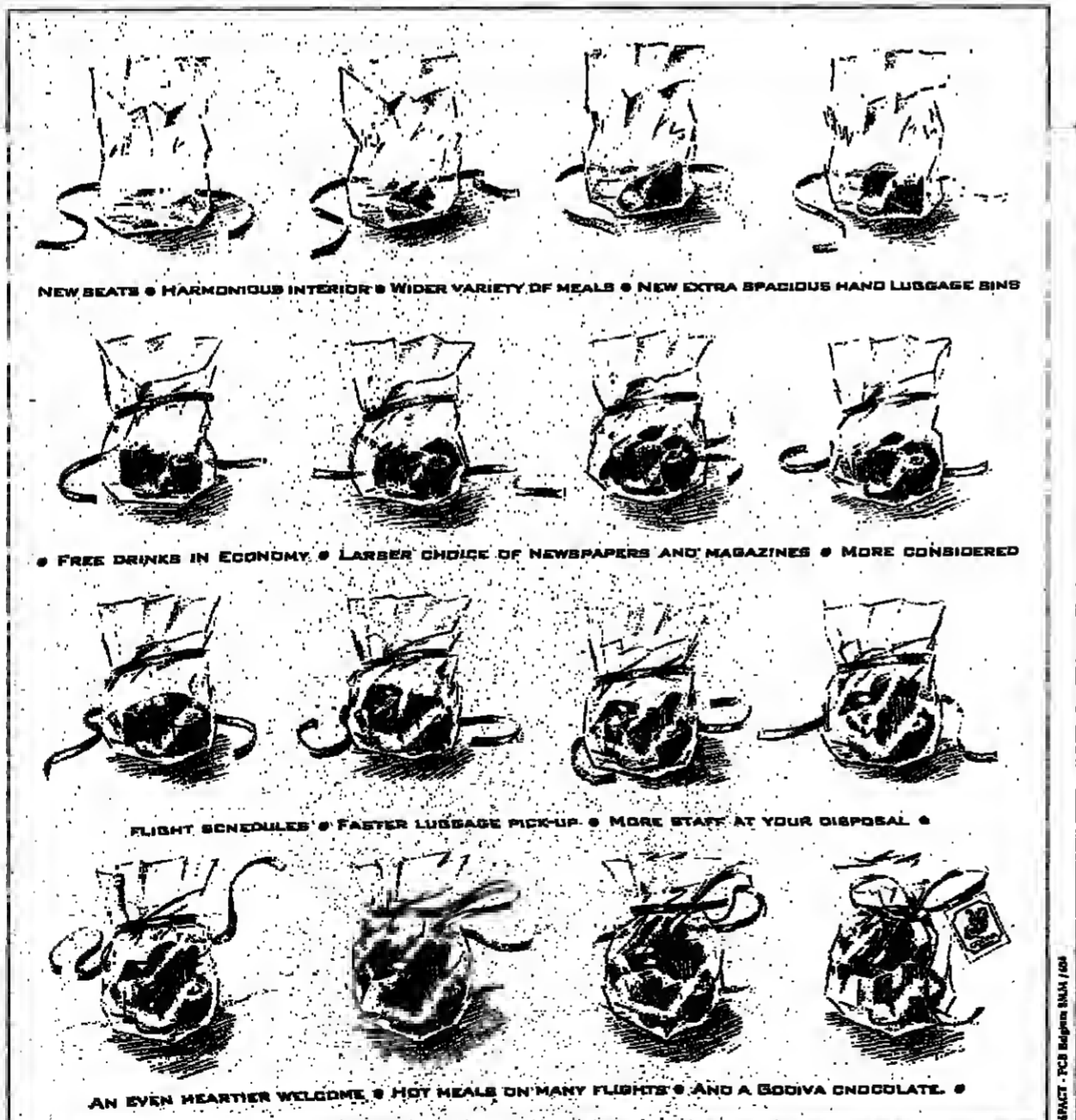
After buying a 20 percent stake in the Wall Street M&A boutique Wasserstein Perella for \$100 million, Nomura recently announced the formation of Nomura Wasserstein Perella in Tokyo. The new firm will specialize in advising Japanese companies on foreign M&A opportunities, including in Europe.

Increasingly, Japanese institutions are relying less and less on Japanese staff posted to Europe, except for top management. It is estimated, for example, that Japanese nationals account for only 20 percent of the 5,000 employees working for the 13 Japanese banks and assorted investment houses in London.

Europeans working for Japanese firms generally say their opportunities for career advancement are better than they were at the European firms they left — as long as they don't aspire to the very top, which will always be Japanese dominated.

Timothy Harper

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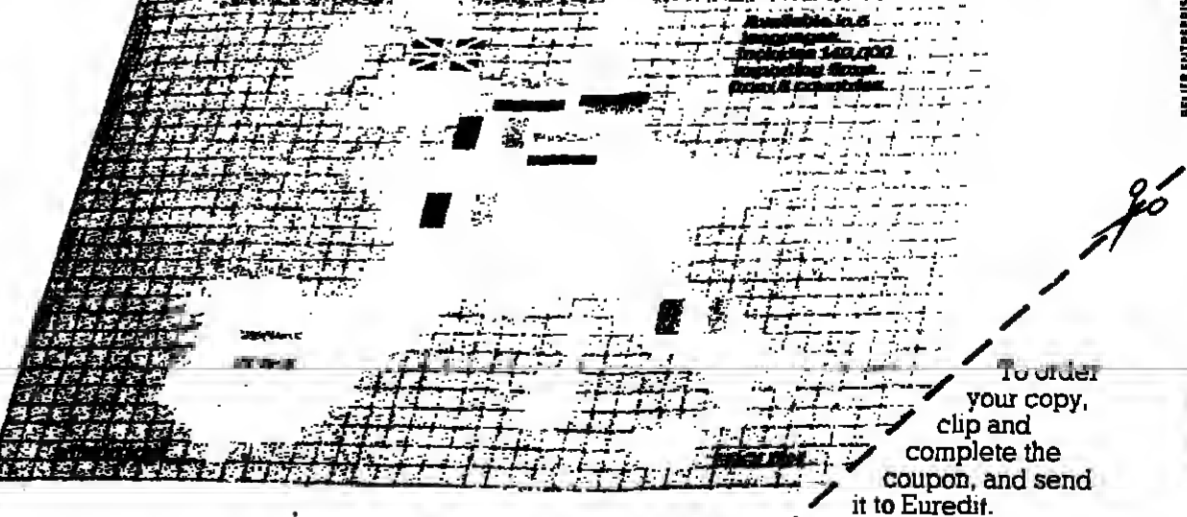
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# 1992 The World's Rendezvous With Europe

Investment Services / A Case Study

## Futures and Options for a Securities House

The EC's directive on investment services is not as far along the approval pipeline as the banking directive. It is still taking shape before the European Commission, the EC's executive arm, while the second banking directive, which also covers the securities activities of banks, could gain final approval from the European Parliament this winter.

But the investment services directive is expected to offer the same sort of prospects for stockbrokers and other nonbank financial houses. Like banks, investment houses authorized to operate in one EC country will be

### M&A activity: 450 deals worth \$20 billion in EC

able to operate freely in all 11 other member nations.

James Ferguson, the deputy chairman of James Capel, believes the London-based securities house eventually would have expanded into continental Europe even without the prospect of a single financial market.

"But 1992 certainly helps," he adds. "It makes it easier for us to offer our services throughout Europe. And it

offers us quite a good opportunity to compete on a more level turf."

"The importance of Europe to us is very simple," Mr. Ferguson says. "The big forces in the business world are now American or Japanese, and the reason for that is their big domestic bases. It's unlikely we can play in the same league if all we're offered is the U.K. as a base. But if we redefine our home market to include all of Europe, we can compete."

The speculative money flows in Europe will increase in volume and volatility, and the corresponding liquidity should increase business even more.

"As companies are offered more equity financing, the markets will be more liquid and bigger," Mr. Ferguson says. "The greater liquidity will mean more money in the markets, and faster-developing markets."

Corporate finance is already booming, largely because so many European companies are raising capital and repositioning themselves in anticipation of 1992: underwriting new issues, joint ventures, disposals, valuations, advisory services and mergers and acquisitions. This year there has been more than \$20 billion worth of M&A activity in Europe, with a reported 450 takeovers and mergers against 303

last year and only 117 as recently as 1983.

James Capel has also increased its operations in the rest of the EC. The company bought two other brokerage houses, Dufour Koller Lacarriere in Paris and Van Meer in Amsterdam, and opened its own representative office in Frankfurt.

"We went to Holland not because it was an obvious case, but because we could buy it and it was a cosmopolitan atmosphere," Mr. Ferguson says. "In France, we got a firm that was not very successful but had a good name. We made an aggressive turnaround with new premises, expanded research and new products. In Frankfurt, we felt that Germany is such a major part of Europe that we needed our own presence there."

Mr. Ferguson points out that some exchanges desperately need upgrading before 1992. "France, for example, needs a lot of money for technology," he says. "The interesting question is where that money will come from."

He says firms joining the Paris Bourse expect to pay entry fees in excess of \$1 million — "and probably a lot more than that." If an exchange becomes too expensive, he says, it

will simply move offshore through screen-based trading: to salvage national pride and keep their exchanges open, some countries may find themselves faced with hefty subsidy payments.

The EC's investment directive is expected to contain the same sort of reciprocity provisions as the sections of the banking directive that have drawn opposition from the City of London, the European base for so many foreign securities houses.

Mr. Ferguson is also concerned about the home-versus-host rules proposed in the investment directive. Under the proposed draft, an investment house would operate under its home country's rules for capital adequacy and acceptability of major shareholders, but under the host country's rules for marketing and advertising.

It's still up in the air whether home or host rules would apply for other conduct-of-business regulations such as conflicts of interest, compensation for default or bankruptcy and segregation of client funds.

"The U.K. has some extremely tight rules for the security business," Mr. Ferguson says. "If based in the U.K., those rules can hurt you in com-



James Ferguson, deputy chairman of James Capel.

petition against firms from Germany or Italy, where the rules are easier. They can compete here in London with their set of rules."

For example, he says, signing up a new client in London can require filling out 64 pages of forms, compared with a single page in Italy. "The hope is that they'd harmonize the whole lot before it starts," Mr. Ferguson says.

Without more standardized regulations across the single market, he says, the issue of compensation funds for default will raise more problems. "If you have tight regulations, if your capital adequacy rules are OK, there's no need for as much compensation," Mr. Ferguson says. "But if firms have to put up a lot of money to support competitors' failures, it's not fair."

Capitals / Relocation Talk

## To Brussels?

Brussels continues making quiet headway toward becoming Europe's political capital. The plan is contained in the "Brussels-Europe Area," a recent Belgian government study outlining planned renovation extending from the Avenue des Arts and the Parc Cinquantenaire to the Quartier Leopold and the district surrounding the Rond-Point Schuman, site of the EC headquarters complex. An international conference center will be built in the area, and it could house the European Parliament, although just mentioning the prospect of the Parliament's leaving Strasbourg sparked immediate and firm denials from French government leaders. Nevertheless, La Pointe, a French weekly, reported earlier this month that the European Parliament is preparing to rent 300 offices in Brussels for parliamentary services as a first step away from Strasbourg. "With 1992 approaching, and the difficulties of plane access to Strasbourg, we all are assuming that Brussels will become our capital," said a British parliamentarian. According to business sources in the Belgian capital, there are already more lobbyists and consultants working in the city than the 15,000 "Eurocrats" working for EC institutions.

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A rush of jobs toward Luxembourg...  
The rush of jobs toward Luxembourg has attracted attention from bankers and investors alike. The volume of investment in Luxembourg is growing rapidly, according to a survey conducted last year by the Luxembourg Chamber of Commerce and Industry. The survey showed that the number of foreign companies in Luxembourg has increased by 10 percent since 1986. This is due to a number of factors, including the country's favorable tax regime, its strategic location, and its status as a member of the European Community.

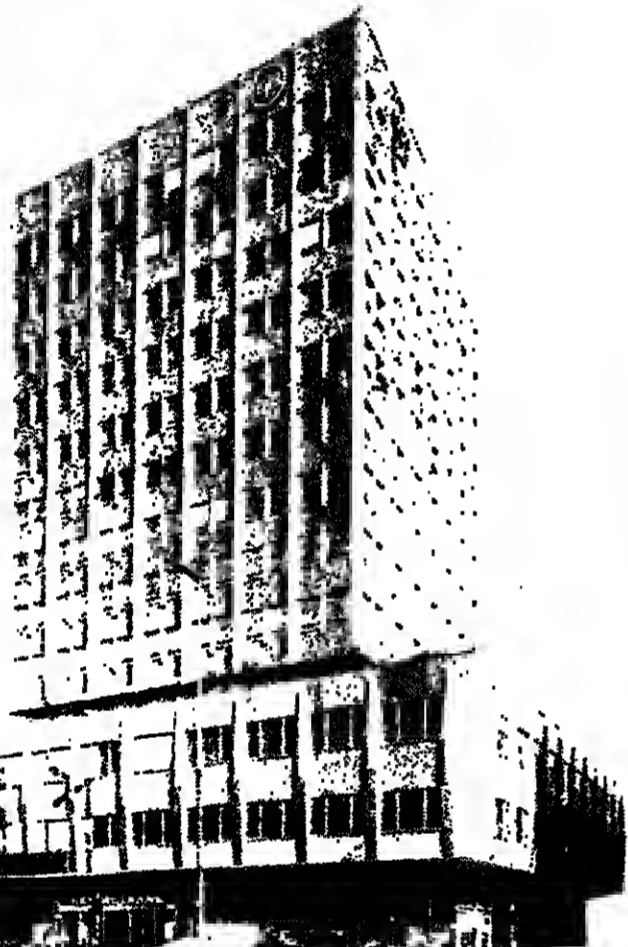
Will it stay in Luxembourg?  
The question of whether Luxembourg will remain a major financial center in the years ahead is being debated. Some experts believe that the country's success is due to its unique combination of factors, which are difficult to replicate elsewhere. Others, however, believe that the country's success is based on a number of factors that are likely to change in the future. For example, the country's tax regime may be challenged by other countries, and its status as a member of the European Community may be subject to change.

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### KREDIETBANK S.A. LUXEMBOURGEOISE ANOTHER YEAR OF ACHIEVEMENTS



KEY FIGURES (in million of LUF)	1987/88	equivalent in Mios. US\$	change in %
Total balance sheet	285,941	8,193	+ 11.8 %
Customer deposits	177,791	5,094	+ 19.3 %
Capital and reserves *	6,551	188	+ 10.3 %
Borrowed Capital	3,173	91	- 22.3 %
Provisions	14,014	402	+ 21.2 %
Net profit	1,122	32	+ 35.4 %

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KBL provides a broad range of banking services such as financing of corporation and public institutions by means of Euro-credits and Euro-issues, mainly in Luxembourg France. KBL is also active in the primary market of new issues, in bond trading and in the financial servicing of securities.

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To obtain our Annual Report and our Private Banking brochure, simply address your request to our Marketing Department.

\* including profit brought forward, after distribution of profits (exchange rate as of March 31st 1988 at US\$/LUF 34.95)



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### Conference Schedule / Aspects of the Integrated Market

## From Media to Mergers

**1992-A Single Minded Vision: Marketing and Media Across One Market.** Sponsored by the International Herald Tribune and Leo Burnett. Amsterdam, October 4.

**Europe and the Construction Industry - 1992.** Sponsored by the Monitor magazine. Paris, Barcelona, October 5-7.

**The Changing Economics of Telecommunications.** Sponsored by Alcatel N.V. Monaco, October 6-7.

**The External Implications of the Single European Market.** Sponsored by the Royal Institute of International Affairs and the Confederation of British Industry. London, October 11.

**1992-The New Europe.** Sponsored by the Frankfurter Allgemeine Zeitung. Frankfurt, October 14.

**East-West-The Future of Trade and Economic Relations.** Sponsored by the Club de Bruxelles. Brussels, October 26-27.

**1992-Threat or Opportunity.** Sponsored by the Scottish division, Institute of Directors. Geneeagles, Scotland, November 25.

**1992-Dutch Management and the European Market.** Sponsored by the KPMG group and REAT Software & Computer Services. The Hague, December 15.

**Europe 1992 and Beyond.** Sponsored by the Financial Times. London, November 21-22.

**International Mergers and Acquisitions in the 1990s.** Sponsored by the International Herald Tribune and Skadden, Arps, Slate, Meagher & Flom. London, November 10.

1992. A series of conferences are being sponsored by the Sunday Times in the following U.K. locations: Birmingham (October 11), Glasgow (November 8), Manchester (November 16), Cardiff (November 24) and London (November 29).

### Open Questions / The View From Wall Street

## U.S. Increases Presence in EC

Mention 1992 to some members of the Wall Street financial community and they presume it is a reference to the recent level of the Dow Jones Industrial average.

But despite occasional ignorance on the Street, major American banks and financial institutions are steadily preparing for the more integrated, less regulated European banking, insurance and securities market of the 1990s.

"Nowhere will the changes promised by the 1992 integration be more profound, or have more far-reaching effects, than in the financial services arena," predicts Dennis Weatherstone, president of J.P. Morgan & Co.

Many American observers expect that changes wrought by 1992 will enable American institutions to offer a full spectrum of wholesale and retail banking and financial services across European borders.

Consequently, the most visible 1992-related effect to date is an increase in the physical and financial presence of American firms in European capitals. While London remains their most obvious commitment, a growing number of companies are betting on a decentralization of financial

## While most Americans feel the momentum will continue, not everyone is optimistic

markets and moving closer to currency borrowers and investors in individual countries.

"We are quickly establishing a physical presence throughout Europe due to new investment opportunities created by 1992," explains François de Saint Phalle, senior executive vice president at Shearson Lehman Hutton, which has a financial stake in Carlo De Benedetti's CERUS group and has created a fund for investments in medium-sized German companies. "To be a true European player we need access to each domestic market."

Major banks, like Chase Manhattan and Citibank, have long had operations in Europe. A spokesman for Citibank acknowledges: "We don't expect the liberalization of European capital markets to occur overnight, but we are certainly preparing to participate in 1992."

1992 has also altered the American perspective on Europe as a part of its global investment strategy. "The investment potential of a unified Europe cannot be ignored, and we are looking for opportunities," says United States Trust Company senior vice president Harry Rowney, who favors companies with cross-border activity in areas like television production and telecommunications.

The fear that a unified Europe may introduce protectionist restrictions in the financial arena is perhaps one obvious reason American companies are currently implementing plans to increase their investment and presence in Europe. Some firms, conscious that reciprocity must exist for European banks to enter America, are also lobbying for future parity in the American marketplace.

"All the signals suggest that EC member countries will not be shy about seeking reciprocity from the U.S. between now and 1992," says Mr. Weatherstone. "But the demands for reciprocity are likely to contribute greatly to the momentum for reform of the laws governing the fractured financial services industry in America."

Naturally it is the implementation of many 1992 directives, currently in the discussion stage, that will ultimately determine the outcome of the protectionist issue.

There is the added expectation that pan-European deregulation will lead to mergers, joint ventures, general consolidation and even hostile takeovers throughout the banking and financial services field. Americans point to the unprecedented battle earlier this year for control of Société Générale de Belgique and the mergers of a number of banks in Spain as steps in that direction.

Indeed, numerous American executives expect deregulation in the 12 European countries to be the first global test of the convergence of banking, insurance and financial institutions.

While there is an obvious reluctance to identify potential takeover targets — and some observers expect that growth through acquisition in Europe could backfire — few American institutions are ignoring the potential of Europe. Add they acknowledge that the expansion and activity prompted by 1992 will undoubtedly lead to challenging organizational and management issues.

How are Europeans reacting to the increased infusion of American financial and banking institutions on their turf?

"We may be perceived as cowboys, but Europe and the rest of the world definitely want to get on the horse," explains Mr. de Saint Phalle, referring to the unorthodox takeover bids that occurred in the United States during the 1980s.

While most Americans feel the momentum toward post-1992 unification and deregulation will continue, not everyone is optimistic.

"I have watched the EC since its inception, and feel that if integration does occur it will be a boon for the Europeans and a setback for Americans and other foreigners," concludes a Vienna-born economist living in New York.

But even the skeptics recall that a Dow Jones average of 1992 seemed a bit farfetched four years ago.

Joel Stratte-McClure



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# 1992 The World's Renaissance

## Luxembourg / Concessions to Change

### Clients Back Moves Toward Collective Investment

A rush of private investment funds toward Luxembourg over the past two years has effectively ended doubts that the grand duchy's attractions for bankers would cease after the collapse of the Eurodollar boom. The volume of private investment placed with the Luxembourg banks is running at twice the level of 1986, according to a senior banker. "The cash is coming from private investors — it would guess them as upper and middle-income," he says about US \$50,000 upward, mainly German, British and French. "According to the banker they seek security for their money, also 'privacy and appreciation.'"

These are well-proven Luxembourg qualities. But how much longer can such traditional selling points be maintained? While there has never

been any suggestion that Luxembourg harbors tax-dodgers, the drive toward transparency in private financial transactions within the Community could blunt its appeal for those seeking full secrecy over their banking business.

#### Will new measures mar Luxembourg's charm?

The growth of banking in Luxembourg has been striking and comparatively recent. In June 1988 there were 132 foreign banks established in the country, compared to only 37 in 1970. Eleven of the top 20 were German, including the top three—Deutsche Bank, Dresdner Bank and Commerz-

The breakdown by nationality shows where the growth has come from. In 1970 nearly half of the "foreign" banks were Luxembourg-Belgian combines. In June this year their number had scarcely changed, while the establishment of West German banks had soared from 3 in 1970 to 31. After the Germans, the Scandinavian banks were prominent with 16 concerns, lured like others by the ease of conducting Eurodollar business in the grand duchy.

Suggestions that such banks may consider leaving Luxembourg in the light of the EC banking regime are

challenged by the Luxembourg Bankers Association, which notes that the number of establishments and the level of assets has grown every year since 1970.

For a lot of the money flowing into Luxembourg is there in anticipation of the coming into force on October 1, 1989 of the Common Market's directive on Undertakings for Collective Investment in Transferable Securities (UCITS). This is part of the EC plan to establish a single Community market in finance by 1992 as a component of the internal market among the 12 member countries.

The UCITS directive, approved by member governments in December 1985, will permit any company to seek money from the public and invest it in any way it chooses, throughout the Community, on the basis of an authorization by its own government. There are some limits. The company will have to invest 90 percent of its funds in publicly quoted companies and may not take more than a 5 percent share in any concern. Other limits are set over its borrowing rights.

Luxembourg has been able to accommodate itself to these regulations to such an extent that major investment houses in London and Tokyo have begun to seek locations in the grand duchy. According to a London banker: "The taxation system is friendly, and the communications are superb." But there are two potential problems. Luxembourg is part of the EC and thus liable to its laws. There is a near certainty that by 1992 the EC will have approved common regulations on banking, including disclosure requirements, that could effectively remove Luxembourg's present advantages.

While there is no guarantee that the proposed harmonization of banking practices will be approved in the form presented by the EC Commission, Brussels officials are confident that the thrust of the drive to bring about a common pattern of operations will eventually win the consent of the EC governments and the measures would be implemented, if necessary, on the basis of a majority vote.

Whether the loss of some existing perks will affect the charms of Luxembourg to private investors is unclear.

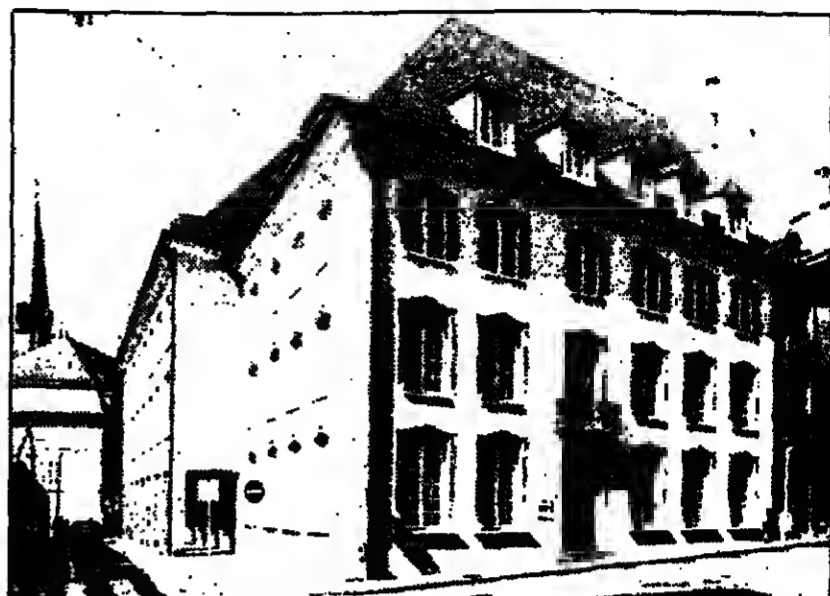
An American banker speculates that "While the tax concessions in Luxembourg are not way out of line, the discretion of the authorities is much prized." Much may depend on the skill of the country's marketing techniques and its portfolio management. There is a widely held impression of Luxembourg as a conservative financial center compared to London or Zurich. But its record over the past 12 months compares well with those of its competitors. "By and large the account managers took a long view a year ago and avoided overexposure in equities, with the result that the worldwide stock market crashes of last autumn have caused less embarrassment in Luxembourg than elsewhere," comments the banker.

The evidence so far is that the major banking clients of Luxembourg in the past — West Germany and Scandinavia — are strongly backing the new UCITS in the grand duchy. The tradition of collective investment, well-established in Britain through unit and investment trusts, is less familiar in other European countries. The UCITS directive gives Luxembourg a clear edge over non-Community countries in competition for savings, while its investment expertise puts it in contention with London. There is now even a move by some British firms to use Luxembourg as a base for UCITS operations. "The Luxembourg regulations are flexible, unlike those introduced in the new U.K. Financial Services Act, and offer several attractions to British firms. But I suspect that the main effect of the UCITS directive will be to divert money away from offshore centers like the Channel Islands and the Isle of Man," says an executive of a major London accounting firm.

Luxembourg has now virtually completed the changes in its own legislation needed to introduce UCITS, though it could still be held back by legal restrictions in other countries where collective investment is customarily handled by banks. The prospect of losing business to Luxembourg has inspired suggestions in some EC capitals that the grand duchy may lack the necessary resources to police the UCITS business

and that its flexible regime could permit abuses. "Certainly the operation of UCITS on a large scale will call for a major enlargement of Luxembourg's supervisory agencies," agrees a government official. "This has been planned for and will be in force once the business comes into effect."

There seems no reason to doubt this, since Luxembourg's major claim to primacy in money management has always been its unchallenged responsibility. "The regulations might be accommodating in comparison to others, but there has never been the slightest suggestion that they are not forcefully and fairly applied," says a British banker.



Alan Osborn Dresdner Bank in Luxembourg.

#### Interview / Pierre Bérégovoy, French Minister for Finance and the Economy

### The Need for a Common Monetary Policy

Continued from page 1

tion's proposals, but it is clear that we need to advance on both taxation fronts: harmonizing value-added taxes and taxation of savings. We also want to avoid capital flight. Today Luxembourg is a tax haven. Germany? No, Germany has moved in the direction of withholding the tax at the source. Today, we are the only country that requires a tax declaration in this regard by the individual or the bank. It is all very complex, but we do need to move forward.

What are the main obstacles to European integration?

There are technical difficulties, but the really big question for European governments is sovereignty and the delegation of power. And here I refer to the immediate question of abandoning sovereignty in the spheres of economy and of taxation. It is clear that member governments must take account of public opinion. Mrs. Thatcher, Chancellor Kohl, our government, we all do.

Is that blocking progress toward greater political unity?

Much of the reticence from certain countries stems from the fact that they do not want to delegate powers to the Commission, an executive organization. One day or another we will have to think about the institutions.

We have a parliament. What is its role? Sooner or later, the technical difficulties should lead us to accelerate political coordination.

In the monetary field? No, in the area of policy in general. Obviously, we are not yet at the stage of having a president or a common government.

Do you favor strengthening the powers of the EC Commission?

The problem, in the long term, is the establishment of a truly democratic government. Delors has revitalized the Commission. It is one of his great successes. But I wonder if it would not make more sense to think about reinforcing the powers of the Council. It is clear that the logic of building Europe is leading us to question the structures of decision-making.

What does the "social dimension" of an integrated Europe mean for you?

Reduction of inequalities of working conditions, and the development of a European union movement. What is needed are conversations — at the European level — between employers and unions. If workers are left out in the cold, something very important will be missing in the building of Europe.

What is your reaction to reports that many French financial institutions fear the coming of 1992 and are not ready to cope with the ensuing new competition? I think French banks hold

their own pretty well. Also, I have always said that competition in the banking sector must be allowed to operate freely, and that includes between state and private banks. In terms of financial innovation, we are in a highly advanced stage of development, even ahead of other European countries. Our financial system is well adapted to the building of Europe. I am delighted when I see a large French insurance company entering into agreements with a British or a German group.

Is the EC Commission justified in insisting on reciprocity with governments when non-EC member companies and banks seek to expand in Europe?

I am not very touchy about that issue. It is up to us to be the best. The American market is open as far as I can see but if under protectionist pressures the United States changes its

approach, we will have to take another look at our position. Our goal for companies and banks is to help them develop with an international dimension and a European structure. And we have many places to discuss issues — in international monetary bodies, in the framework of the Uruguay Round.

Finally, what message would you give the next President of the United States?

Do not distrust Europe. And realize that Europe can be an efficient partner and a faithful friend. And understand that it is in the interests of democracy that Europe and the United States get along. But it is equally important that the United States not look exclusively to the Pacific. If it does, Europe will find other partners. The interest of the United States is to look in both directions, east and west, at the same time.

## Investing in Europe? What you should know about this church.



This church is just one reminder of the many cultural traditions that have made Bavaria world-famous. Less well-known is that Bavaria also has a long tradition for innovation, for example, in electronics-related industries. Consider this combination of facts:

1. Bavaria is West Germany's largest state with a no-nonsense commitment to values such as independent thinking, entrepreneurial drive, and a strong work ethic. Over the past two decades, Bavaria's GDP has increased by 25% more than the national average.
2. Germany accounts for more than 40% of electrical engineering in the EC, and one-fourth of all Germans active in electronics and electrotechnology work in Bavaria.
3. Bavaria is the semiconductor center of Germany and Continental Europe. Nearly all main semiconductor manufacturers have major production facilities or their European headquarters in the state.
4. An exceptionally high concentration of user industries of advanced technology is in Bavaria and at its doorstep. Heading the list are electrical and mechanical engineering, automakers, and aerospace industries.

5. Munich, the state capital, is the site of many trade exhibitions, including Electronics — Europe's leading exhibition for components and modules — and Productronica — Europe's largest fair for electronics production installation.

6. Bavaria employs more people in R&D in the industrial sector than in any other state. It is the home of the world-famous Max-Planck Institute and Fraunhofer-Gesellschaft as well as many research facilities for microelectronics and biotechnology.

Take a close look at Bavaria. You might be surprised to see how many church bells are operated electronically. And how many other attractive opportunities Bavaria has to offer.



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Source: Datamation, August 1988

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# 1992

Switzerland and Austria / Outside Looking In

## Rethinking National Rules In the Light of Directives

"We're not at all worried — we see it as a challenge," says Jean-Louis Delachaux, managing director of Credit Suisse bank's Geneva office. Delachaux's attitude toward 1992 is typical of most Swiss bankers, who believe their international expansion in recent years will help them weather the change to a single European market. They also cite their present close relationship to the EC as proof that it is possible to work with the Community and not belong to it.

Links are indeed strong: last year Switzerland looked to the EC for 72.5 percent of its imports, and 58.2 percent of its exports went to the Community. Austrian trade is heavily dependent on the EC: In the first six months of this year it climbed to 75

percent of exports and nearly 80 percent of imports.

1992 provides an excuse to push for reform

percent of exports and nearly 80 percent of imports.

Nonetheless, the Swiss — like other Europeans outside the European Community — are not taking the possibility of a new financial environment lightly. Switzerland and Austria in particular have financial industries that play important roles in their economies; Swiss banks, for example, account for 7 percent of GNP, higher than that of any other sector. These countries are particularly anxious not to see their banks crippled by a role on the fringes of a stronger Community. Dr. Fritz Diwok, secretary general of the Austrian Bankers Association, emphasizes that it is now up to his government to take steps to enable industry and banks to cope with the new situation. The difficulty, he cautions, is knowing what steps. "Very much will depend on whether we see harmonization or mutual recognition. Even within the EC, they're not sure yet."

The Swiss government issued a report two weeks ago outlining its policy for dealing with the EC's integration efforts. The Federal Council reaffirmed that it will continue intense negotiations in such areas as finance to ensure that EC and Swiss law are mutually nondiscriminatory. "The fact

we're not members of the EC shouldn't mean we're relegated to Europe's B team," said Minister for the Economy René Felber.

Markus Lusser, president of the Swiss National Bank, welcomes the EC's efforts to create a unified market, and the directives that have been issued to date. The success of the Cooke Committee of the Bank for International Settlements in harmonizing capital adequacy for the Group of 10 countries bodes well, he believes. "The fact that the European Community was also represented at those negotiations indicates that the prospects of finding compatible solutions for banking and finance regulation are good."

There are, however, reasons for concern, says Mr. Lusser. "The Swiss National Bank does not see any fundamental reason to fear discrimination against Swiss banks by the European Community. But it is possible that the European Community will establish directives for financial markets that would make discussions about the adaptation of certain Swiss rules necessary. One example of this may be the regulations for admission to stock exchanges." The Swiss are currently struggling with a revision to their commercial code, which governs shareholders' rights. The battle pits bankers against some powerful corporate groups; the latter would like to retain the current system, which has provoked criticism from abroad that the Swiss are raiding companies elsewhere while protecting their home turf against foreigners.

Austria is interested in getting closer to the EC, possibly even in joining the Community. The Swiss, however, continue to insist that their political neutrality is not compatible with EC membership. Yet both believe reciprocity is the key to coexistence with the EC. For Swiss and Austrian bankers this means virtually every national banking regulation must be reassessed in the light of new EC rules. In some cases, such as Swiss rules on capital adequacy, current regulations are stricter than those the EC appears to be planning to adopt. Bankers fear this could make them less competitive and they are trying to



convince the authorities to make changes. Swiss bankers' main concern is that they may be at a disadvantage in the tax area; for years they have been trying to convince the government that a crippling stamp duty is chasing away stock market business. The EC's plans for 1992 provide a welcome deadline and excuse to renew the pressure.

Though the general mood is optimistic, problem areas remain. Switzerland's large banks are already well established abroad, particularly in EC countries, where their subsidiaries will be treated as native banks; their strategies will be to continue this expansion. Crédit Suisse, for example, plans to open offices in Spain and Italy. Smaller banks, however, are less well

equipped to cope with stronger foreign competition.

Austrian banks also worry about their size. "Our banks should become bigger by international standards," says Herbert Kasper of the economics department at Girozentrale in Vienna, the second largest Austrian bank. "We've started buying. The merger mania that is going on now is geared toward a single Europe, so no matter what happens with our politicians in Brussels, banks have to look to 1992." The country's third largest commercial bank and largest savings bank three weeks ago announced a proposal to merge, a move that could trigger an industry shake-up.

The challenge, say bankers in both countries, will be to find the right balance. "We will be obliged to make some changes," says Crédit Suisse's Delachaux. "But we can't just become a satellite of the EC. We must remain specialists, doing international banking with a Swiss touch." *Ellen Wallace*

Opinion / Realizing Europe's Potential

## New Opportunities Should Allow Equal Competition

The advent of 1992 presents great opportunities for U.S. financial institutions to assist their clients in raising funds and executing their corporate strategies in a larger, freer and more dynamic European market.

The overall impact of a single European market should be extremely positive for the European business and financial community, and thus for American commercial and investment banks operating in Europe. But some of the changes now being planned raise important concerns. Specifically, it appears that the directives on the banking and securities industries will link the treatment of foreign firms in the EC to treatment afforded European financial institutions in the home countries of those firms. While the

The major challenge for U.S. financial institutions

details of the directives have not yet been fully worked out, I have confidence that the Commission will recognize that although there are significant differences between European and American banking/securities regulations, the United States is a very open market for European financial institutions. It has offered them vast and growing opportunities for expanding their business — in some cases extending privileges that are not enjoyed by comparable U.S. institutions. Moreover, many American firms have been providing service of the highest quality to their European clients and have proved that they add genuine value for the companies they serve in Europe. Therefore there is good reason to expect that the EC will apply standards of reciprocity fairly and flexibly, and will not restrict the ability of American financial institutions in Europe to compete on the same basis as their European counterparts.

A number of issues will arise as the Commission formulates a policy for regulating and reviewing large cross-border mergers and acquisitions. Cross-border combinations, and those within national borders as well, will enable corporations to enlarge market share and realize greater economies of scale. They are a logical product of, and complement to, other aspects of the effort to create a unified market. A clearly defined EC merger and acquisition policy (superseding conflicting national regulations), an expeditious review procedure for approval or disapproval of proposed

mergers on an EC-wide basis, and a process for providing preliminary indication of whether a prospective merger is likely to be considered favorably would greatly reduce uncertainties, avoid costly delays and facilitate the planning of corporate acquisition and divestiture strategies, as well as defenses against hostile takeover attempts. Communication between the EC Commission, and European as well as non-European financial institutions in the EC, while the new rules are being written and when they come into effect, would provide Commission experts with "second opinions" that might be helpful to them in anticipating the practical consequences of alternative review procedures and approval criteria. It would also help these institutions and their clients anticipate the new rules and be sure that any mergers and acquisitions being contemplated will be consistent with them.

The period ahead offers major challenges to U.S. financial institutions to think creatively and strategically about how best to serve their clients' needs in the single European market and the rapidly integrating and changing world. While our headquarters are in the United States, we at Goldman Sachs see ourselves as very much a European, as well as an American, firm, not only because of the over 700 people which we have committed to the European market but also because of the extensive experience we have had in advising European clients on mergers, acquisitions, divestitures and raid defenses, raising funds for them in the key European and off-shore markets and executing major privatization assignments.

We believe our future success in Europe will be determined largely by our ability to provide a full range of financial, merger and trading services to our clients throughout Europe, understand European-wide developments in all major industries and sectors, and raise capital in all major European and world markets. The creation of a unified European market challenges us to be innovative, think strategically, and constantly expand and update our range of services. We see enormous potential opportunities for our clients throughout Europe in the period ahead, and hope to play a significant role in helping them to take advantage of the more dynamic European economy.

Robert D. Hormats  
Vice Chairman  
Goldman Sachs International

## OUR VIEW OF EUROPE AND 1992

With the removal of trade barriers between E.E.C. financial markets on the near horizon, James Capel is moving rapidly to provide clients throughout Europe with a complete Pan-European investment service that features timely investment ideas and access to a network of 22 offices on four continents.

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Briefs / Alliances, Projects and Directives

## In the Air: High-Tech Plans

•Luxembourg's ambition to become a prime force in EC satellite broadcasting is expected to get a major boost with the planned launching of its Astra satellite by the Ariane spacecraft in early November. Owned by the Luxembourg Société Européenne des Satellites, Astra is equipped to transmit 16 channels of television across Europe. A Washington-based magazine, Europe, described it as "one of the boldest gambles ever undertaken in European broadcasting," but also noted that it faced two important obstacles: competition from the controversial TDF-1 satellite due to be launched at the end of October and the British BSB satellite. Both are regarded as more technologically advanced. Meantime, however, Rupert Murdoch, the Australian-born newspaper owner, has committed himself to using Astra for beaming to Britain. Other British broadcasters are considering Astra as well. Europe reported, amid widespread fears in London that users of Astra will draw viewers — and potential advertisers — away from the BBC and commercial stations.

•At the Farnborough Air Show earlier this month, General Bernard Capillon, chairman of France's state-owned SNECMA engine group, told reporters that his company was seeking a minority financial share in FN Moteurs SA, the Belgian aerospace manufacturer, as a first step in establishing a second, European fighter aircraft consortium built around the Rafale. "There is no reason that we cannot have two groups," he said. In another development at Farnborough, EFA executives said that Spain would not withdraw its support from the project, despite French-inspired reports that Madrid was considering joining France in building the Rafale.

•Crédit Lyonnais, one of France's largest state-owned banks, has established a joint venture company with GATX Air, a U.S. aircraft leasing firm, aimed at placing the bank in this fast-growing business. The fleet of 20 A-320 Airbus planes representing an investment of \$650 million, will be delivered between 1990 and 1994. "Our bank is now committed to providing financing needs of the aviation industry throughout the world," e Crédit Lyonnais executive said. The bank has led the management of 85 percent of the French portion of export credits for the Airbus consortium, which groups French, German, British and Spanish aerospace companies.

•The European Investment Bank plans to lend about 192 million ECUs, or 450 million guilders, to the Mega project, which is aimed at manufacturing advanced integrated circuits at e Philips plant in Nijmegen, the Netherlands. The Luxembourg-based bank is participating in the project as part of its commitment to improve the competitiveness of the European electronics industry in the world semiconductor market. Two years ago, the EIB lent Philips about half that amount for the Mega project (200 million guilders).

•Aerospace industries in the EC will soon be able to tap research funds from a new plan announced by the EC



Commission. Until now, the commission has avoided funding aerospace, leaving spending in that sector up to national governments and the European Space Agency. Euromat, the new EC plan, will have an initial budget of 60 million European currency units and will aim to help participating companies in areas such as aerodynamic design, materials and computer system research.

•AT&T and Philips Telecommunications B.V., a joint U.S.-Dutch company based in Hilversum, Netherlands, will change its name to AT&T Network Systems International BV, reflecting a

stronger role in the company by AT&T. The company, which is currently seeking major expansion in Europe's telecommunications market, says its sales this year will rise to \$650 million from \$450 million last year.

•New air transport rules on competition have been adopted by the EC Commission that outline new, strict conditions for agreements between airlines. They relate to such agreements as coordination of capacity and schedules of revenue pooling, computer reservation systems and ground handling services at airports. The new rules, which are part of the Commission's growing efforts to deregulate the EC's air transport system in the early 1990s, are aimed at assuring greater competition between airlines for the benefit of travelers. New rules affecting coordination between airlines, for example, specify that airlines retain the largest possible freedom to act independently and that the agreements do not weaken the position of airlines which are not signatories.

•France's Thomson SA, and STET, Italy's state-controlled electronics group, plan to join other EC manufacturers participating in Jesi, the EC-backed Joint European Silicon Initiative, known as "Europe's big-bang superchip project." The program, intended to help participants develop a global capacity in semiconductors, already includes Siemens of West Germany and the Dutch electronics group Philips. Pasquale Pistorio of Italy and president of the joint French-Italian venture, told newsmen that his group, created last year, was now the second-largest semiconductor firm in the EC, after Philips.

•Belgium has emerged as a key battleground for two competing European fighter aircraft projects: the European Fighter Aircraft, being built by a Munich-based consortium of British, German, Italian and Spanish aerospace companies, and Rafale, the controversial French fighter that has been sharply criticized for its high costs by the Rocard government. While weighing both projects, Belgium is also seeking to develop its own fledgling aerospace industry and faces considerable pressure from French industry lobbyists for whom an EC sale is crucial. France was an original member of the EFA consortium but withdrew when it became clear that the Dassault group, designer of the Rafale, would not obtain design leadership.

# 1992 The World's Rendezvous With Europe

Spain / Watching the Bottom Line

## Striking a Balance Between Size and Service



Mario Conde, chairman of Banesto.

When the two biggest domestic banks, Banesto and Banco Central, came together in May, Prime Minister Felipe Gonzalez said it was the most important economic development of the century in Spain.

Indeed, the Banesto-Central merger created a banking group with a combined stock market capitalization of 913 billion pesetas (\$8.23 billion). Their combined profits came close to 56 billion pesetas last year and, with resources pooled, they now rank 25th in Europe in terms of assets.

As Mr. Guillermo de la Dehesa, who

was secretary of state for the Economy at the time of the mergers, insists: "There is a barrier to entry to the unified market based on size. If you don't get over a certain size, you can't even compete."

The clearer minds in Spanish banking had long recognized that a strategy was needed to take the domestic sector past the 1992 barrier and into a single European market. Spanish banks seemed too small for Europe, and protected domesticity had made them flabby.

The merger lobby had a clear blueprint for the future. Smaller, better run, more efficient and more profitable banks were to join forces with the bigger, and flabbier, banks. The former would provide management and the latter size.

This was the logic behind, for example, the approach made to Banesto, a big bank, by the smaller Banco de Bilbao. Bilbao's international network, arguably the best among the Spanish banks, complemented Banesto's

deep and blanket penetration of the domestic market.

A second similar overture saw Banco de Vizcaya courting Banco Central. Vizcaya prides itself on its management skills and its industrial know-how and Central, which belongs to the bigger and flabbier division, has a very big stock in Spanish business.

The main surprise and irony was that things did not work out as planned. Banesto fought off Bilbao when the latter made a public share offering and Central kept Vizcaya at arm's length. What occurred instead was that Vizcaya and Bilbao, the two Basque banks, came together in January and months later Banesto (its full name is Banco Español de Crédito) and Central followed suit.

Some claimed that professionalism wedded professionalism in the future Banco Bilbao Vizcaya and size married size to form what, in three years time, will be known as the Banco Español Central de Crédito. In other words, the result was exactly the opposite of that laid out in the blueprint.

Critics of the process said that the one plus one equals one exercise, especially given the way it turned out, is going to consume vast amounts of time, energy and money. Popular, the smallest of the big seven private banks and one of the best managed and profitable, preached small is beautiful and stayed resolutely single.

Banco Hispano Americano and Banco de Santander had a different approach to the 1992 challenge. Rather than digging themselves into the domestic market with mergers, both preferred to take the initiative; the two banks evolved go-it-alone strategies and attempted to strengthen themselves in Europe rather than in Spain through acquisitions and cross-share agreements.

The anti-merger lobby questions whether, after 1992, European banks will be interested in Spain's retail banking business. The real challenge they foresee facing Spanish banks is the provision of specialized services. In this sphere, which is the real profit maker, size can be a handicap rather than an asset.

Certainly what the foreign banks are doing in Spain at the moment is to press ahead with merger and acquisition expertise, with leverage buyout skills and with underwriting new instruments such as europeseta bonds.

The real bottom line of the banking merger process may well have less to do with banking than with industry, for the big banks, by virtue of the portfolios they hold in Spain's major corporations, have traditionally been the powerbrokers of the nation's industry.

Banesto and Central will be pooling major shareholdings in a whole range of sectors, from electrical utilities to land development projects. Their merger brings together, for example, the two biggest domestic construction companies: Agroman, which is controlled by Banesto, and Dragodos y Construcciones, which is controlled by Central. The two major private oil companies, Central's Cepsa and Banesto's Petromed, likewise come under the same umbrella.

The picture is a similar one with the Bilbao-Vizcaya merger. Both banks



José Ángel Sánchez Asain, CEO of Banco de Bilbao.

have a many-tentacled spread of corporate interests in Spain and their marriage has created a hugely strengthened industrial arm.

In the meantime the best measure of the upheaval that has taken place is the manner in which the pacemaker of Spanish banking at present is Banesto's 40-year-old chairman Mr. Mario Conde. A year ago he was not a member of Banesto's board and did not, in fact, have any direct experience of banking at all.

Tom Burns

As the EC seeks to harmonize the financial landscape, many German bankers are concerned about the issues this raises regarding their non-bank holdings, capital adequacy requirements and hidden reserves.

Perhaps the most worrisome issue facing them is a directive under consideration that would limit a bank's share in a non-bank company to 10 percent. Total investment in such

### Investment in a non-bank company is limited to 10%

companies would be further limited to 50 percent of a bank's own funds.

German banks currently hold large stakes in non-bank companies, including Deutsche Bank's 28 percent share in automobile manufacturers Daimler Benz, Dresdner Bank's 23 percent holding in raw materials trader Metallgesellschaft, and Commerzbank's 25 percent stake in retail giant Karstadt.

West Germany / The Dangers of Divestiture

## Directive Could Reduce Banks' Stake in Industry

They, presumably, would be forced to divest some of their holdings. "That could hit some German banks," said Gunter Sterl, administrator in the EC's financial institutions division. Industry observers agree that Deutsche Bank, the nation's largest commercial bank and the EC's third largest, would be most affected.

"They would have to pay higher taxes as they scramble their holdings," said Keith Brown, a banking analyst with Morgan Stanley International in London. He also said the bank's influence and possibly their business relationship with industry might diminish.

Thomas Albrecht, European bank analyst at stockbrokers UBS-Phillips & Drew in London, said the directive's impact in Germany would be limited because it applies to the listed value of

assets. German banks generally list their holdings at less than their actual value, so they are less likely to violate the 10 percent and 50 percent limits.

Divestment, need not necessarily drive down stock prices. "If the companies are allowed to slowly unwind their holdings, there is no reason why prices should fall," said Mr. Brown.

But the divested companies could become more susceptible to hostile takeovers. "After all, if banks hold large blocks of shares, it prevents takeovers," he explained. One possible solution under consideration by Deutsche Bank and others is to place shares in holding companies, possibly in non-EC countries.

German banks are also concerned that the EC might adopt the Cooke Committee's guidelines to harmonize capital ratios for leading banks. Be-

cause the German definition of core capital is stricter than the committee's, German bankers fear they may face tougher capital adequacy standards than their competitors.

"It could be a competitive disadvantage," said Peter Piesch of Commerzbank. Another bank source, who requested anonymity, disagreed. "The Cooke guidelines count for all of us," he said. "It would be more of a problem for Japan and the United States."

A third, related worry is that German banks might be forced to expose their hidden reserves. "That could threaten the way the German banks work," Mr. Brown said. "They have large hidden reserves, which might have to be exposed and become subject to taxation."

Industry sources generally agree that any foreign growth in the German

market will be made at the expense of the smaller savings and cooperative institutions rather than the major banks. Deutsche Bank plans to spread its investment and commercial banking activities through acquisitions abroad. In 1986, it bought Banca d'America e d'Italia, and is now aiming for control of Banco Commercial Transatlantico in Spain.

Commerzbank is seeking cooperation with partner banks abroad through cooperative links and cross shareholdings. It hopes to become a major shareholder in Crédit Lyonnais. Dresdner Bank's strategy is considered less clear, but leans toward expansion through foreign cooperation. Both Commerzbank and Dresdner will concentrate on investment services.

Erich E. Toll

Steven Bartlett is a Paris-based freelance writer.

Tom Burns is a director of Spanish Trends, a Madrid business and finance newsletter.

Barbara Cassassus is a Paris-based freelance writer.

Timothy Harper is a London-based American journalist and lawyer.

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Alan Osborn is the EC correspondent for The Daily Telegraph.

Michael Rowe is a Paris-based financial and business writer.

Joel Stratte-McClure is a freelance writer and the editor of *Sophisticat*.

Erich E. Toll is the West German correspondent for the Journal of Commerce.

Ellen Wallace is a Swiss-based financial and business writer.

The next two issues on 1992 will be published on October 8 and November 4. The series will continue in 1993.

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**Herald Tribune**

### LIBYA: In

(Continued from Page 1)

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### CHINA: Mental Health

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ASIAN TOPICS

Sri Lanka's President Departs Contentedly

President Junius R. Jayawardene of Sri Lanka, who will retire after presidential elections expected in December...

In an interview with Barbara Crossette of The New York Times, the president said he is particularly satisfied with the 1987 agreement with India...

Mr. Jayawardene, 82, said he is confident that his 11 years of running the country, briefly as prime minister and then as president...

The press is free under us," he said. "The previous government nationalized the press."

Not that Mr. Jayawardene pretends to infallibility. When he agreed last year to merge Sri Lanka's Tamil-dominated provinces...

Short Takes

The first American ambassador to Mongolia, Richard L. Williams, has presented his credentials in Ulan Bator...

China has imposed a tax on an expensive official banquet to rein in the waste of public funds.

In Taipei, 600 blind masseur workers were blocked by police when they tried to force their way into Taiwan's legislature...

East Meets West: For the eighth year in a row, the Oriental Hotel in Bangkok has been rated as the best hotel in the world...

Mr. Reagan was "convicted" and assessed \$40 billion in damages for the bombing.



MOIST MONKEY — A slum dweller in New Delhi carrying his pet monkey to safety.

restaurants, theaters and carnival attractions, will be reproduced in the Japanese city of Okiyama...

Longest Taxi Ride Arrives in Singapore

The longest and most expensive taxi ride in the world has arrived in Singapore via Europe, the Middle East, Pakistan, India and Southeast Asia.

Money is being raised by corporate sponsors and collections in the countries the cab passes through.

In Singapore, a Cultural Tug-of-War

By Michael Richardson

SINGAPORE — During the recent Festival of the Hungry Ghosts, Chinese Singaporeans burned joss sticks, incense and artificial paper money...

These ceremonies welcome and placate the spirits of the dead who, it is believed, return temporarily to share the comforts of home...

But leaders of the Chinese community here, government officials and Chinese intellectuals are worried that Singapore is in danger of losing its cultural bearings as Western ideas permeate more deeply this multicultural Asian society.

In one of several speeches on this theme last month, Prime Minister Lee Kuan Yew cautioned that the values transmitted by increasingly widespread use of English in education, business and daily life...

Barring mishaps, the Great Taxi Ride from London, organized to raise funds for an international children's charity...

Officials of the governing People's Action Party, which has been in power since 1959, also worry about an erosion of traditional respect for authority and the readiness of Singaporeans to place collective obligations ahead of individual rights.

The party apparatus in Moscow and around the country has supervised, and often duplicated, government agencies responsible for managing various aspects of the economy, education, science, the press, culture and other elements of society.

Singapore's future, Mr. Lee asserted, would depend on whether its population — 76 percent Chinese, 15 percent Malay and the remainder Indians and people of other ethnic groups — could maintain their Asian core values.

Whether Singapore continues to thrive, to prosper, to be a dynamo, or whether it will plateau as in so many Western societies where they just lose steam," he added.

whether Singapore continues to thrive, to prosper, to be a dynamo, or whether it will plateau as in so many Western societies where they just lose steam," he added.

Diplomats said that the cultural tug-of-war between East and West in Singapore had intensified since Mr. Lee's government decided in the 1960s that the island-state had to promote English and plug into the world economy if it was to survive and prosper.

Partly because Singapore's main economic competitors — Hong Kong, South Korea and Taiwan — have not promoted English to the same extent, they do not face the danger of having their original cultures displaced, the diplomats said.

Tan Sai Siong, a columnist for The Straits Times newspaper, said

that wide use of English had given Singapore "an edge over other non-English speaking developing countries in the competition for foreign capital and trade in the last 25 years."

But, she said, it had made Chinese Singaporeans vulnerable to loss of identity.

The more "un-Asian" the Chinese majority became in their ways and thoughts, Miss Tan added, the more they were likely to encourage other ethnic groups to do the same.

While Mandarin, Malay and Tamil have equal status with English as official languages of Singapore, analysts said English was given priority by the government because it was the international language for trade, technology, science and information.

When Singapore gained self-government from Britain in 1959, Hokkien and other Chinese language dialects were predominant. Today, official figures show that more than 90 percent of students are in schools where English is the language of instruction.

Lee Hsien Loong, the minister for Trade and Industry, said the choice of English as Singapore's working language was correct and irreversible.

But he added, "We need to find ways to preserve those traditional values which are relevant to our changed circumstances, and convey them in succeeding generations in terms which they will understand."

SOVIET: Meeting Is Called to Restructure the Party

(Continued from page 1)

Committee, of some of their power and much of administrative machinery they have used to wield it.

Georgi K. Kryuchkov, a deputy head of the Central Committee organizational department, said recently that as much as a third of the administrative apparatus of republic and regional party organizations faced elimination under the Gorbachev plan.

The Central Committee departments likely to be eliminated under the Gorbachev plan are those that supervise industry and agriculture.

They include the Agricultural and Machine Building Department, the Agricultural and Food Industry Department, the Chemical Industry Department, the Heavy Industry and Power Engineering Department, the Light Industry and Consumer Goods Department, the Machine Building Department, the Trade and Domestic Services Department and the Transport and Communications Department.

The party apparatus in Moscow and around the country has supervised, and often duplicated, government agencies responsible for managing various aspects of the economy, education, science, the press, culture and other elements of society.

Nikita S. Khrushchev's effort to reorganize the party was one of the key reasons he was removed as the Soviet leader in 1964.

Opposition to Mr. Khrushchev, produced by a variety of factors, including his handling of foreign policy, intensified after he moved to divide the responsibility for supervising agriculture and industry at the regional party level.

vice president had been involved to past high-level U.S.-Soviet meetings.

The Soviet official, asked Wednesday if he favored Mr. Bush in the election, said, "It's up to the American people to elect a president."

"I would like to get acquainted with the governor to have a talk," he added. "There are questions we should discuss."

Mr. Dukakis was meeting later with the West German foreign minister, Hans-Dietrich Genscher, and planned a Thursday morning meeting with President or Francois Mitterrand of France.

Mr. Shevardnadze had planned in meet with Secretary of State George P. Shultz and the foreign ministers of China, Britain and France. The session, held annually during the special session of the UN General Assembly, had been scheduled for Friday.

Mr. Shultz intended to take up with Mr. Shevardnadze U.S. complaints that Moscow and the Soviet-supported government in Afghanistan were conducting bombing raids on positions in Pakistan.

Mr. Shultz condemned the cross-border raids on Tuesday as a violation of Pakistani territory. They are designed to interrupt the flow of U.S. weapons through Pakistan to guerrillas in Afghanistan.

Governor Michael S. Dukakis met with Mr. Shevardnadze on Wednesday to a session that Mr. Dukakis said had been "just a chance to get acquainted."

Vice President George Bush talked last week with Mr. Shevardnadze, who told reporters that the

Mushrooms Kill 4 Yugoslavs

BEUGRADE — Four Yugoslavs have died and about 100 have been hospitalized after eating mushrooms in the republic of Croatia, the Tanjug news agency said Wednesday.

LIBYA: In Libya's Very Discreet Kabir Hotel, Revolution Is the Inn Thing

(Continued from page 1)

identical suites on different floors, one right under the other. In the past several years, Chadani rebels have taken up residence at El Kabir, along with American Indian and Black Muslim groups, Communist guerrillas from the Philippines and South America and Kurdish rebels from Iraq.

They are usually also a number of hard-to-classify visitors, like the West German ice hockey coach who came last year seeking financing for his team, and Arthur Blessitt, an American preacher with a large wooden cross on wheels who stopped by in March on his way around the world.

Most of these guests come to seek money, arms or employment, or perhaps simply to join in a collective and all-expenses-paid denunciation of imperialist evil, usually symbolized by the United States.

Early this month, an "anti-imperialist court" composed of lettings from Central and South America set up shop in the Kabir to try President Ronald Reagan on charges of state terrorism in bombing Libya.

For three days, the 14-member mock court listened to witnesses, including Colonel Gadhafi's 15-year-old son, Saadi. Although the prosecution kept referring to Mr. Reagan as "Roland," they did offer the president the right to defend himself or send a lawyer.

Dutifully, they trooped over to the Belgian Embassy, which represents U.S. interests, to inform him of his options, but found it closed for the day. After knocking fruitlessly for 10 minutes or so, they left the message in the mailbox.

Twenty-four hours later, lacking a U.S. response, the court appointed its own defense attorney, a Costa Rican who got up and cheerfully conceded he had nothing to offer on the president's behalf. Case closed.

CHINA: Mental Health

(Continued from page 1) level of performance from their child that they create a debilitating fear of failure.

Mr. Yang said that one of his patients, a 19-year-old youth, fears nearly everything — from taking examinations to falling when he rides his bicycle.

"His parents want him to do everything perfectly," the psychologist said. "They are constantly warning him to take care. As a result, whenever he does something, he fears failing."

Xu Xiumu, an expert on juvenile delinquency who also counsels at the center once a week, said that the center once a week, and schools have not accepted the importance of emphasizing mental health.

The counseling center, which charges four yuan (\$1.08) an hour for counseling, has two walk-in booths for privacy during consultations. The office is in a crowded neighborhood in the Xidan district.

Call Toll Free Save up to 50%... Includes a table with subscription rates for various countries and currencies.

THE WAY YOU SEE EUROPE DEPENDS ON WHO YOU ARE... THE FINE ART OF FLYING AIR FRANCE. Includes a form for a subscription to the International Herald Tribune.

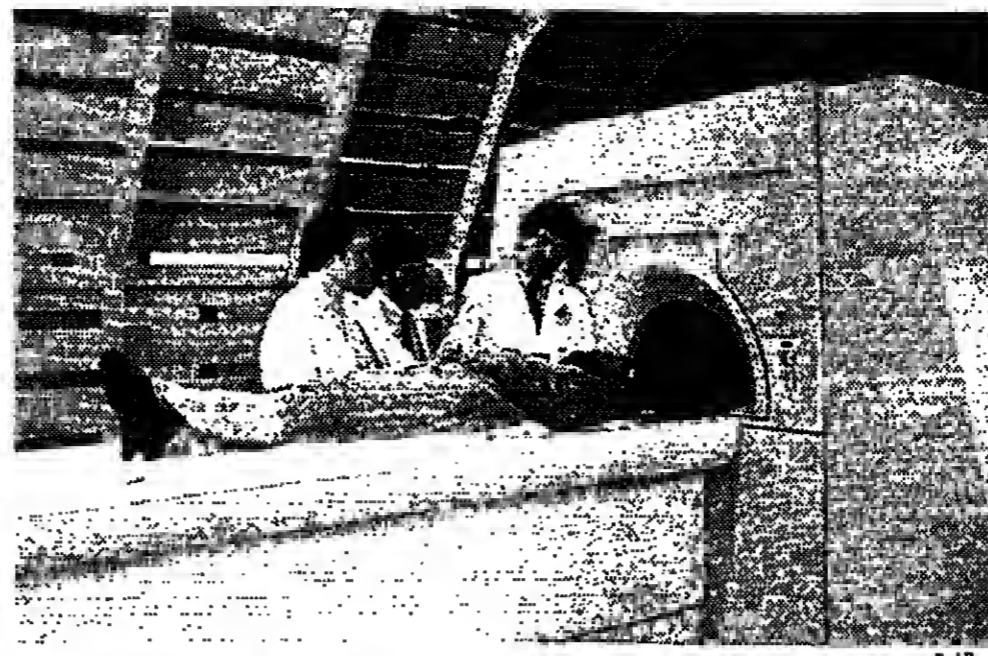
ADVERTISING... Includes a portrait of Juan Angel Sanchez and text about international advertising services.

SCIENCE

A Step in Saving Sight

By Gina Kolata
NEW YORK — In a major advance, two groups of U.S. scientists have successfully transplanted cells from the eye of a rat to the retina of another rat and cured a disease that would otherwise cause blindness.

To cure this degenerative disease, Dr. James E. Turner and Dr. Linxi Li of Bowman Gray School of Medicine at Wake Forest University in Winston-Salem, North Carolina, and, independently, Dr. Peter Gouras and his colleagues at Columbia-Presbyterian Medical Center in New York, transplanted healthy pigmented epithelial cells into the animals' eyes by cutting slits in the back of their eyes and injecting tiny drops of fluid containing the pigmented cells normally grown. The cells survived and thrived and prevented the otherwise inevitable death of photoreceptor cells. Dr. Turner has operated on more than 200 rats, and, in every case, the transplanted cells survived and prevented photoreceptor cells from dying.



Magnetic resonance spectrometers are providing new ways of exploring body chemistry and fatigue.

New Techniques To Study Fatigue

By Sandra Blakeslee
LOS ANGELES — The sense of fatigue felt after strenuous physical exercise may differ biochemically from the tiredness felt after a hard day at the office, researchers are finding.

sense of fatigue, but the chemical changes in the nervous system and muscles are different. Fatigue is defined as a decrease in force that a muscle can exert as it tires. The new device for measuring fatigue is called a magnetic resonance spectrometer. The spectrometer can trace the action of individual molecules within the body and take moving pictures of one compound at a time.

Tracking Down the Seal-Killing Virus

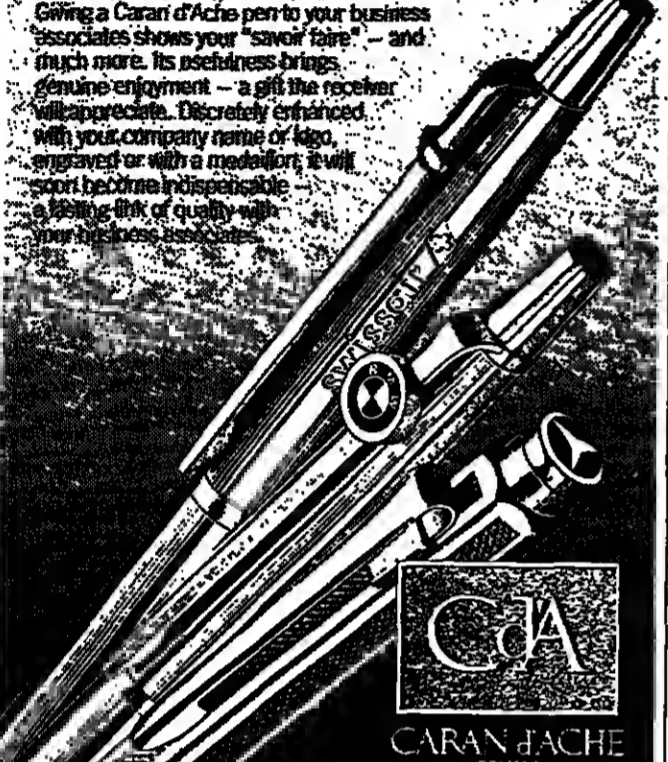
By Joe Kirwin
STOCKHOLM — Four months ago Anders Bergmann, a Swedish pathologist and one of the world's foremost seal experts, was performing autopsies on carcasses of some of the more than 14,000 seals that have died in the North Sea from what was then a mysterious virus. He noticed the characteristics of an agent, encountered in previous veterinary work, that attacks the immune system.

Dr. Osterhaus, at the Netherlands National Institute for Public Health and Environment, had developed a herpes vaccine several years ago and his immediate tests with dead seal serum and organ tissue were positive for both a herpes and a picorna virus. But the herpes virus was ruled out because seals given the vaccine were not protected, and researchers focused on the picorna virus.

certification of widespread virus presence and, as final proof, reintroduction. Dr. Osterhaus, at the Netherlands National Institute for Public Health and Environment, had developed a herpes vaccine several years ago and his immediate tests with dead seal serum and organ tissue were positive for both a herpes and a picorna virus. But the herpes virus was ruled out because seals given the vaccine were not protected, and researchers focused on the picorna virus.

Previous information about muscle fatigue came from experiments in which muscle tissue was stimulated or exercised, removed from the body, quick frozen and later studied under a microscope. Few people signed up for such experiments more than once, Dr. Miller said, because the procedure was extremely painful. Such experiments demonstrated that chemical changes occur in fatigued muscles, Dr. Miller said, but they did not reveal exactly how the changes came about.

A Strong Bond



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France Approves An Abortion Pill

PARIS — The French government has authorized commercial use of the abortifacient substance RU 486, but has made it subject to legal and medical controls as strict as those applying to other methods of abortion.

Playing Lotto 6/54 is Easy

Lotto is the World's most popular form of lottery. The Official New York version is called Lotto 6/54 and is FULLY BACKED BY THE GOVERNMENT. Each week two draws are held in public — under strict supervision in New York. Lotto 6/54 is easy to play. You pick your own numbers by selecting any 6 of 54 possible numbers from 1 to 54. It's that simple.

Here's How You Can Play

All you have to do to play the World Famous New York Lottery is to complete the order form and send it to United States International Marketing's world wide processing center, along with your payment. You can play 2, 4 or 6 games for 15, 26, or 52 weeks. REMEMBER, EACH ADDITIONAL WEEKLY GAME YOU PLAY INCREASES YOUR CHANCE TO WIN THE JACKPOT.

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United States International Marketing will immediately notify you when you win any prize of \$1,000 or more. In addition, you receive a complete list of winning numbers after every sixth draw so that you can carefully check how you are doing. YOUR PRIZE MONEY WILL BE CONFIDENTIALLY PAID DIRECTLY TO YOU ANYWHERE IN THE WORLD. Upon expiration of your subscription you will receive a final itemized statement of your winnings.

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Hotels Meridien advertisement featuring the text 'The very soul of France in North America' and 'In the pulsating rhythm of the great North American cities, the Meridien hotels provide the charm of French tradition.' It includes contact information for various cities and the Le Meridien logo.

Subscription form for the New York Lottery. It includes a 'CIRCLE YOUR NUMBERS' section with six columns of numbers (GAME 1-6) and a 'FREE BONUS' section. At the bottom, there are fields for Name, Address, City, and Country, along with checkboxes for 'CHECK/DRAFT', 'P.O. BOX', and 'EXP. DATE'. A signature line and the number 'IT 929' are also present.



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NYSE Most Actives table with columns for stock symbol, volume, high, low, and change.

Market Sales table showing volume and value for various market segments.

NYSE Index table showing high, low, and change for various market indices.

Wednesday's NYSE Closing Via The Associated Press logo and text.

AMEX Diary table listing stock symbols and their daily price changes.

NASDAQ Index table showing high, low, and change for NASDAQ-related indices.

AMEX Most Actives table listing top-performing stocks on the AMEX.

Dow Jones Bond Averages table showing closing and change for various bond indices.

NYSE Diary table listing stock symbols and their daily price changes.

Odd-Lot Trading in N.Y. table showing buy and sell volumes for various stocks.

Dow Jones Averages table showing high, low, and change for major market averages.

Standard & Poor's Index table showing high, low, and change for S&P indices.

NASDAQ Diary table listing stock symbols and their daily price changes.

AMEX Stock Index table showing high, low, and change for AMEX stock indices.

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Main NYSE stock listing table with columns for stock symbol, price, and change.

NYSE Higher in Light Trading

United Press International NEW YORK — A spurt of buying in the final minutes Wednesday enabled prices to edge higher in a quiet, trendless session on the New York Stock Exchange.

Continuation of the main NYSE stock listing table.

Continuation of the main NYSE stock listing table.

Continuation of the main NYSE stock listing table.

SEOUL CHOSE PHILIPS TELEVISION



SHOULDN'T YOU DO THE SAME?

Continuation of the main NYSE stock listing table.

(Continued on next left-hand page)

INTERNATIONAL MANAGER

To Stem Insider Trading, Hire a Compliance Officer

By SHERRY BUCHANAN International Herald Tribune

LONDON — In an effort to deter insider trading, major commercial and investment banks are hiring in-house "compliance officers" to keep tabs on their brokers, traders and corporate finance staff.

The aim is to keep everybody in the firm's employ within the law.

Initially, international banking companies set up compliance departments to keep employees informed of the latest government regulations. There is clearly an increase in the number of compliance officers, said Brooks Chamberlin, Korn Ferry International in New York.

Maxwell Protests KKR Bid

Macmillan Battle Gets Legal Twist

By Warren Getler International Herald Tribune

LONDON — Robert Maxwell, chairman of Maxwell Communication Corp., said Wednesday that he would seek a court order to block Kohlberg, Kravis, Roberts & Co.'s planned \$2.5 billion takeover of Macmillan Inc.

The British publisher said he was "shocked and dismayed" that the Macmillan board had jumped to accept a sweetened offer by Kohlberg, Kravis, Roberts & Co. a New York firm that specializes in leveraged buyouts.

Maxwell said he was "in it to win it." Last year, he failed to establish a major U.S. beachhead when his hostile takeover offer for Harcourt Brace Jovanovich Inc. was defeated.



The Audi V8, unveiled Tuesday, is expected to be one of the main attractions at the Paris Car Show. The car features a 250-horsepower engine, four valves per cylinder and permanent four-wheel drive.

Chrysler Makes a Dent in Europe

U.S. Company May Build Autos Abroad, Iacocca Says

PARIS — Chrysler Corp. said Wednesday that its push to export to Europe has far exceeded expectations and that if the pace continues, the company could begin building cars in Europe in the next few years.

Ericsson, Matra to Supply French Mobile Phones

STOCKHOLM — France Telecom, the French public telephone company, has chosen L.M. Ericsson AB of Sweden and Matra SA of France to supply a new mobile telephone system for France, the companies announced Wednesday.

Phone Supplier Rejects Offer Made by C&W

LONDON — Cable & Wireless PLC, the British telecommunications giant, made a cash offer Wednesday for the 97.9 percent of shares in Telephone Rentals PLC that it does not already own, but the company rejected the bid as inadequate.

Reagan Vetoes Bill to Restrict Textile Imports

WASHINGTON — President Ronald Reagan vetoed on Wednesday a bill to restrict textile imports, which he called "protectionism at its worst," and he signed legislation implementing an agreement with Canada that would create the world's largest open market.

Advertisement for Falcon-900 jet service, featuring an image of the aircraft and contact information for the executive jet service company.

Air France Move Raises Questions

PARIS — The dismissal of Jacques Friedmann as head of Air France raised questions Wednesday about how many more top managers in state-owned enterprises might eventually be replaced by France's ruling Socialists.

Currency Rates

Table of currency exchange rates for various international currencies, including the British pound, Japanese yen, and various European currencies.

Interest Rates

Table of interest rates for various financial instruments, including Treasury bills, government bonds, and commercial bank deposits.

Asian Dollar Deposits

Table showing interest rates for Asian dollar deposits from various banks in different currencies.

U.S. Money Market Funds

Table listing the performance and interest rates of various U.S. money market funds.

Gold

Table of gold prices and market activity, including prices for various gold bars and coins.

ASAMI OPTICAL CO., LTD.

Advertisement for Asami Optical Co., Ltd. featuring an image of a watch and text describing their optical services and products.

Advertisement for Eloff Hansson, a global trading company, listing their products and international offices.

Large advertisement for Corum watches, featuring a large image of a watch and text describing the brand's history and craftsmanship.

Wednesday's NYSE Closing

Totals include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Table with columns: High, Low, Stock, Div. Yld. PE, 52-Week High, 52-Week Low, Open, Close, Chg.

Table with columns: High, Low, Stock, Div. Yld. PE, 52-Week High, 52-Week Low, Open, Close, Chg.

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Table with columns: High, Low, Stock, Div. Yld. PE, 52-Week High, 52-Week Low, Open, Close, Chg.

U.S. Futures

Table with columns: Month, High, Low, Stock, Div. Yld. PE, 52-Week High, 52-Week Low, Open, Close, Chg.

Currency Options

Table with columns: Currency, Option Type, Price, Bid, Ask.

London Metals

Table with columns: Metal, Price, Bid, Ask.

Food

Table with columns: Commodity, Price, Bid, Ask.

Metals

Table with columns: Metal, Price, Bid, Ask.

Financial

Table with columns: Instrument, Price, Bid, Ask.

Municipal Bonds (CBT)

Table with columns: Issue, Price, Bid, Ask.

European Dollars (NAM)

Table with columns: Issue, Price, Bid, Ask.

Stock Indexes

Table with columns: Index Name, Value, Change.

Commodity Indexes

Table with columns: Index Name, Value, Change.

Market Guide

Table with columns: Market Name, Status, Price.

MGM/UA Announces Major Restructuring

IBM Executive Takes Position With Texaco

Deutsche Bank to Buy Into Bain

S&P 100 Index Options

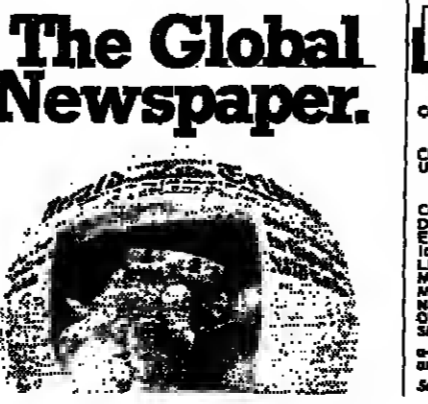
Dividends

Paris Commodities

London Commodities

U.S. Treasuries

DM Futures Options



Value of Nobels May Rise Sharply

PERSONAL INVESTING

# Reuters Reorganizes Into 3 Regions

LONDON — Reuters Holdings PLC said Wednesday that it was reorganizing the group into three geographic areas in a move designed to cut costs and improve efficiency.

The three areas are Asia, the Americas, and a composite of Europe, the Middle East and Africa. The changes will begin Jan. 1.

The present Reuters area comprising Africa, Latin America and the Caribbean, will cease to exist. Latin America and the Caribbean will join Reuters North America to form Reuters America.

David Ure, managing director of

Reuters Europe Ltd., will be managing director of Reuters Europe, Middle East and Africa Ltd.

Andre Villeneuve, who is now president of Reuters North America Inc., will be president of Reuters America Inc.

Peter Job will remain managing director of Reuters Asia Ltd., which now includes the Middle East.

Peter Holland, managing director of Reuters Overseas Ltd., will become assistant general manager of Reuters Ltd. from Jan. 1.

In this capacity, he will be responsible for international personnel services and corporate rela-

tions. He will report to Michael Nelson, deputy managing director and general manager.

Reuters supplies a wide range of services to business subscribers and to the news media. It distributes information via more than 165,000 video terminals and teleprinters, and directly into clients' computers.

The organization's pretax profit for the first half of 1988 rose 26.2 percent to £102.9 million (\$176 million), despite a sharp decline in revenue from sales of electronic trading systems after the stock market collapse in October.

# Leahy Challenge Dismissed

WHITE PLAINS, N.Y. — A federal judge dismissed Carl C. Leahy's final challenge to Texaco Inc.'s reorganization plan, according to court papers.

"Whatever the merits of these challenges, this appeal must be dismissed as moot," District Judge Gerard Goetz said.

A group led by Mr. Leahy, who

challenged 14.8 percent of Texaco, had challenged the Chapter 11 reorganization plan, under which Texaco paid \$3 billion to Pennzoil Co. to settle a legal dispute arising from Texaco's acquisition of Getty Oil Co. Texaco then emerged from bankruptcy proceedings.

Despite Mr. Leahy's appeal, Texaco's plan had been approved.

### Wall Street Journal TV

Dow Jones & Co. said Wall Street Journal Television will expand its services in the United States and overseas, Reuters reported from New York.

Beginning Oct. 3, the company said, it will offer "The Morning Minute," a nationally syndicated 60-second report designed for use in morning news shows.

On Nov. 3, Dow Jones said, Wall Street Journal Television will expand its services in Europe with a daily three-minute feed to the planned European Business Channel.

# Air Canada Public Offering Oversubscribed

TORONTO — Investor demand for outstripped supply in the Canadian government's public stock offering of a 45 percent stake in Air Canada, a spokesman for an underwriter of the issue said.

"It was significantly oversubscribed," said the spokesman, who requested anonymity.

The airline said late Tuesday that 30.77 million common shares of Air Canada were priced at \$8 Canadian dollars (\$6.50) each, for total proceeds of 246 million Canadian dollars.

The issue will dilute the Canadian government's holding in the airline to 55 percent.

The government has said it hoped small investors would buy up to 40 percent of the offering. The airline's 22,000 employees get first chance at buying the shares, followed by small investors from Canada.

# SHOW: Iacocca Is Optimistic About the Prospects for Chrysler in Europe

(Continued from first finance page)

Chrysler now has 500 dealers in continental Europe starting next week, Reuters reported.

Yutaka Kume, president of Nissan, said the company plans to sell 10,000 Bluebirds this year and 100,000 annually in the 1990s, but the destinations of the first cars to be shipped remain unclear because of French opposition to importing Japanese-labeled cars that are less than 80 percent-European made.

"At the moment the British-built Bluebird has local content of 70 percent, but we don't know whether the French government will recognize this," Mr. Kume said.

Separately, Renault was among several European auto makers to announce earnings projections during the auto show. The French car maker's expected 6 billion franc profit this year compares with a profit of 3.7 billion francs in 1987 after its string of operating losses.

Analysts said that Renault's turnaround was due largely to deep cuts in production costs made in recent years, Reuters reported.

"They've traded in some pretty classy European cars for these Le-Barons, Voyagers and Cherokes," he said. "I never thought I'd live to see that."

Mr. Iacocca described Chrysler buyers in Europe as young, affluent people with two cars in their garages who are "looking for something a little bit more unique."

"They're trading in some pretty classy European cars for these Le-Barons, Voyagers and Cherokes," he said. "I never thought I'd live to see that."

Chrysler budgeted up to \$20 million for advertising in Europe this year.

Mr. Iacocca projected that next

year Chrysler would sell 45,000 to 50,000 cars and Jeeps in Europe.

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Meanwhile, plans by Nissan Motor Co. to sell a British-made car in continental Europe starting next week were clouded by French opposition, Reuters reported.

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# MAXWELL: KKR Bid Protested

(Continued from first finance page)

Maxmillan withdrew its recommendation.

Maxwell Communication initially submitted an \$80 bid, followed by \$84 a share in early September.

A Macmillan spokesman said that both Kohlberg, Kravis and Maxwell Communication were invited to raise their bids before the close of the auction late Monday. But only Kohlberg, Kravis submitted a higher offer.

Robert Pirie, president of Rothchild Inc., an investment firm advising Mr. Maxwell's group, told Reuters on Wednesday that a new bid was not submitted because Wasserstein, Perella & Co., Macmillan's adviser, would not tell the British group whether there had been a higher offer from Kohlberg, Kravis.

Mr. Pirie also indicated that a likely plank in Mr. Maxwell's case would be to challenge an option Macmillan gave Kohlberg, Kravis to buy four of Macmillan's divisions if its bid for the whole company failed.

The lawyer, Michael Klein, said the Bass group might participate in the action because it was unsure whether the bid by Kohlberg, Kravis was superior to that of Maxwell.

The Bass group opened the takeover battle for Macmillan with a \$64-a-share bid, which it later raised to \$75.

The terms of the agreement with Kohlberg, Kravis, state that Macmillan is to be merged with MI Holdings Inc., a new entity of the leveraged buyout firm. Remaining Macmillan shareholders are to receive \$33.77 face value of MI junior subordinated debentures for each of their shares along with 22.51 warrants to acquire future MI shares.

Earlier in September, Macmillan had accepted a leveraged-buyout offer from Kohlberg, Kravis for \$85 a share. But, after Mr. Maxwell responded with a bid of \$86.80,

# INTERNATIONAL POSITIONS

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S/he must have excellent English, and a good working knowledge of one other official language of AI (Arabic, French or Spanish) is highly desirable. S/he must be able to communicate well both orally and in writing, and must be able to work in an international and multicultural environment. S/he will be expected to travel and to work weekends.

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International Secretariat  
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London WC1X 8DJ  
United Kingdom  
Tel.: (01) 853 3805 - (24 hr ansaphone).**

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This position will be reporting directly to the Managing Director and will interface with the senior management of an international professional team.

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Letters of interest including a full C.V. should be sent to:  
**Box 035666, I.H.T., 63 Long Acre, London WC2 9JH.**

## The Quarterly Report as of 30th June 1988 has been published and may be obtained from:

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Herengracht 214, 1016 BS Amsterdam.  
Tel. + 31 - 20 - 211188

**DP America Growth Fund**

## The Quarterly Report as of 30th June 1988 has been published and may be obtained from:

**Pierson, Helling & Pierson NV.**  
Herengracht 214, 1016 BS Amsterdam.  
Tel. + 31 - 20 - 211188

**Europe Growth Fund**

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## International Fund for Agricultural Development, (United Nations) Rome (Italy) seeks:

### Assistant Secretary (Governing Council & Executive Board Affairs)

**RESPONSIBILITIES:** Under the general supervision of the Secretary of IFAD, the incumbent assists in conducting the Fund's official meetings (including the Governing Council, Executive Board and Representative Conferences); maintains close cooperation with the Assistant Secretary for Member Relations and Protocol Affairs and with the Chief of the Translation Unit to ensure the efficient preparation and execution of official meetings of the Fund and supervises the preparation of documentation for such meetings; drafts (a) agenda, annotations, statements, minutes, reports, and records of official meetings (b) introductory statements and notes concerning agenda items for the President of IFAD, the Chairman of the Governing Council and the Chairman of the Executive Board. Represents IFAD at meetings.

**QUALIFICATIONS:** Advanced University degree or equivalent in law or social sciences plus academic qualifications in international relations. 7 years of proven drafting, managerial and organisational capability and ability to work efficiently under pressure. Progressive experience in the management of development programs and participation in meetings of legislative bodies. Excellent drafting skills in English. Knowledge of Arabic, French, and Spanish desirable.

**SALARY & BENEFITS:** IFAD as part of the United Nations common system offers competitive international salaries, benefits and allowances.

Please send two copies of detailed resume to:  
**Personnel Division,  
IFAD  
Via del Serafico, 107,  
00142 ROME, Italy.**

Closing date for applications: 7 November 1988  
(Only short-listed applicants will receive an acknowledgment)

## BUSINESS OPPORTUNITY EXCELLENT CASH FLOW ENORMOUS PROFIT POTENTIAL

International Company seeks persons with Marketing, Sales, Administrative or Communications skills to enter highly lucrative market. Comprehensive training and support provided.

Areas now available: **LONDON & NATIONWIDE**

**TEL.: John Paterson  
01-549 3444.**

## ATHENA Research

A newly formed REAL ESTATE COMPANY - part of the number one Financial Group in Italy - engaged in the development of Shopping Centers and Hypermarkets, has openings for the following executive positions:

### 1. ASSISTANT DIRECTOR OF REAL ESTATE

- Strong experience in retail, notably Shopping Centers and Hypermarkets.

### 2. RETAIL ARCHITECT

- Wide experience in Shopping Centers and Hypermarkets;
- Capable to interpret concept and operational criteria;
- Able to develop site plans following feasibility studies;
- Experience in all phases of design and construction of the above.

Applicants should preferably have actively participated in the French retail revolution during the last fifteen years.

Head Office: MILAN - Italy.

Please send a detailed CV, by air mail, quoting reference AR 22023 HT to:

ATHENA Research - via G.C. Serbelloni 4 - 20122 Milan (Italy)

## TWO-DAY CONFERENCE ON: DOING BUSINESS BETWEEN THE EUROPEAN COMMUNITY & THE COMECON COUNTRIES

at the HILTON hotel: BUDAPEST  
November 10 & 11 1988

Information and registration at:  
**SEMINAR SERVICES SA, Blvd de Perelles 7a,  
CB-1700 FRIBOURG, SWITZERLAND.  
Tel: (0041 37) 22.43.23. Telex: 942658 SEMI CH.**

## legrand

First half results up 30%  
Further expansion in the U.S.A.

Consolidated figures on June 30, 1988 were as follows: (in FF million)

	First half 1988	First half 1987	%
1. Sales	2,855	2,495	+14
2. Net pre-tax income	500	397	+26
3. Net income (Group share)	299	229	+30
4. % of sales	10.5%	9.2%	
5. Funds provided from operations (cash flow)	461	375	+23
6. % of sales	16%	15%	

After accounting for structural changes, Group sales growth works out to 10%.

Also, following the takeover of SLATER's manufacturing operations (switches, power sockets, ground fault sockets, etc.) at the beginning of 1988, the Group has achieved further advances in the United States. In 1988, the Group has achieved further advances in the United States with the acquisition of POWER CONTROLS. This company specializes in home dimmers; it reported 1987 sales of 11 million dollars and employs 180 people in San Antonio (Texas).

# Wednesday's AMEX Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

via The Associated Press

12 Month High	Low	Div. Yld. %	Stk. High	Low	Close	Chg.
139	48	1.0	1984	1984	1984	
139	48	1.0	1984	1984	1984	
139	48	1.0	1984	1984	1984	
139	48	1.0	1984	1984	1984	
139	48	1.0	1984	1984	1984	
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## INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) Sept. 28, 1988

Not exact value quotations are provided by the Funds listed with the exception of those noted below in bold type.

The principal symbols indicate frequency of quotations supplied: (D) - daily; (W) - weekly; (B) - bi-monthly; (F) - quarterly; (M) - monthly.

Fund Name	Class	Price	Change
AL-AMAL TRUST SA	SA	124.18	
AL-AMAL TRUST SA	SA	124.18	
AL-AMAL TRUST SA	SA	124.18	
AL-AMAL TRUST SA	SA	124.18	
AL-AMAL TRUST SA	SA	124.18	
AL-AMAL TRUST SA	SA	124.18	
AL-AMAL TRUST SA	SA	124.18	
AL-AMAL TRUST SA	SA	124.18	
AL-AMAL TRUST SA	SA	124.18	
AL-AMAL TRUST SA	SA	124.18	

## AMEX High-Lows

Symbol	High	Low	Open	Close
139	48	1.0	1984	1984
139	48	1.0	1984	1984
139	48	1.0	1984	1984
139	48	1.0	1984	1984
139	48	1.0	1984	1984
139	48	1.0	1984	1984
139	48	1.0	1984	1984
139	48	1.0	1984	1984
139	48	1.0	1984	1984
139	48	1.0	1984	1984

## Floating-Rate Notes

Issuer/Note	Rate	Term	Yield
139	48	1.0	1984
139	48	1.0	1984
139	48	1.0	1984
139	48	1.0	1984
139	48	1.0	1984
139	48	1.0	1984
139	48	1.0	1984
139	48	1.0	1984
139	48	1.0	1984
139	48	1.0	1984

Be sure that your price is listed in this space daily. Telex Matthew GREEN at 613597 for further information.

CURRENCY MARKETS

Dollar Eases While Pound Rallies

NEW YORK — The dollar traded mostly lower against key foreign currencies on Wednesday as dealers focused on the British pound, which rallied following supportive remarks by a top British government official.

Table with columns: Country, Rate, % Change. Includes Deutsche mark, Pound sterling, Swiss franc, French franc.

Traders focused attention on the pound after the chancellor of the Exchequer, Nigel Lawson, said that it would be inappropriate to let the currency decline as a means of adjusting the British current account deficit.

International Monetary Fund and World Bank in Berlin have called for greater free trade and for commercial banks to do more to help trim the \$1.23 trillion Third World debt burden.

Sprinkel Calls Price Rises Temporary Phenomenon

WASHINGTON — Beryl W. Sprinkel, President Ronald Reagan's chief economic adviser, said Wednesday that recent price increases were temporary and that inflation was not threatening the U.S. economy.

Debtors Say Relief Is Short of Needs

By Carl Gewirtz International Herald Tribune BERLIN — The Third World's response here Wednesday to the industrialized nations' weekend offer of partial debt relief was, by and large, more than expected.

raise taxes to cut its budget and trade deficits drives up interest rates, and as a result, the cost of servicing Third World debt.

Banker Says Dollar, Pound Must Decline

WEST BERLIN — The dollar and the pound have to fall to out trade deficits in the United States and Britain, according to the chairman of Midland Bank PLC, Kit McMahon.

Brady, New U.S. Treasury Chief, Treads Softly

By Reginald Dale International Herald Tribune BERLIN — Nicholas P. Brady, the new U.S. Treasury secretary, stepped quietly in and out of his first international meeting this week leaving an expected world financial community little change of taking his message.

Until his appointment last month, Mr. Brady was chief executive of Dillon, Read & Co., a New York investment banking firm, with little experience in top-level, government-to-government international financial diplomacy.

Bush wins on Nov. 8, making them particularly interested in his views on such matters as the U.S. budget deficit and exchange rate policies.

Peru Courts Its Creditors

BERLIN — Peru has been approaching senior officials of the International Monetary Fund and World Bank meeting here this week in a bid to improve relations with its creditors, Peruvian banking sources said Wednesday.

Mr. Mmusi also assailed the alleged case-by-case approach adopted by creditors in handling the debt crisis.

Wednesday's OTC Prices. NASDAQ prices as of 4 p.m. New York time. This list, compiled by the AP, consists of the 1,600 most traded securities in terms of dollar volume.

Table with columns: 12 Month High Low, Stock, Div. Yld. PE, % High Low, 4 P.M. CHG. Lists various stocks like AIG, AIG-Sub, AIG-Inv.

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Former Toy Official Is Charged by the SEC With Insider Trading

WASHINGTON — The Securities and Exchange Commission has charged a former official of Toys 'R' Us Inc. with illegal insider trading of options on the toy retailer's stock while he possessed a confidential forecast of improved sales for the Christmas season in 1988.

The SEC civil suit, filed Monday in federal court in Newark, named as the defendant James M. Markham, a former director of industrial purchasing at the Toys 'R' Us headquarters in Rochelle Park, New Jersey.

### BOOKS

#### 1941: Our Lives in a World on the Edge

By William A. Klingaman. 448 pages. \$22.95. Harper & Row, Publishers Inc., 10 East 53d Street, New York, N. Y. 10022.

Reviewed by Arnold I. Isaacs

ONDON stoically endures the last and most brutal raids of the German bombing campaign. Adolf Hitler, proclaiming that "the name of Moscow will vanish forever," sends 148 German divisions to invade the Soviet Union, opening the most colossal clash of armies in the history of warfare. Following the front-line troops are the SS Einsatzgruppen, execution units whose assignment (foreshadowing the death factories that will soon make killing even more efficient) is to murder Jews and other supposed racial inferiors and enemies of the Reich.

On the far side of the world, Japan's military rulers are planning their huge gamble of war with the West. And in America, still sneezing at peace, Joe DiMaggio hits safely in 56 straight games; President Franklin D. Roosevelt cautiously and somewhat deviously tries to position the country for future conflict without arousing an isolationist reaction; and a disastrously unprepared nation sluggishly and reluctantly begins to arm for the war that will come, in the final weeks of the year, with the devastating Japanese attack on Pearl Harbor.

From these and many other events, William A. Klingaman has constructed a mosaic of "a world on the edge," as he calls it—the world of 1941, the year World War II became a truly global conflict and (as far as far clear at the time but is evident in retrospect) the year in which Nazi Germany and imperial Japan were each led by overreaching ambition to attack too powerful opponents and thus sealed their own eventual defeat.

As in his first book, "1919: The Year Our World Began," Klingaman's goal is the dramatic re-creation of events, not historical analysis, and his sources are, for the most part, contemporary accounts and first-hand memoirs. From these he has culled a mass of descriptive detail and evocative quotes, woven into a fluent, fast-paced, readable narrative.

As in his best, Klingaman's writing achieves a poetic vividness—as when, in a passage describing London under German attack, he writes about searchlights that

"felt for the bombers with broad stalks of light that faded into the mists at the edges," while "antiaircraft guns thumped and pounded at the invaders and shells burst like wild blue diamonds below the stars."

For all Klingaman's impressive research and fluent style, though, "1941" lacks a little in freshness, perhaps because much of its material is already so familiar. London under the Blitz, the Pearl Harbor attack, convoys across the North Atlantic, even the war in Russia—these are all stories that have been told many times before, in both fictional and nonfictional form, and not only in books but in plays and movies and on television as well. Although Klingaman retells them well enough, he really has nothing new to offer his readers.

The book also suffers from a somewhat uneven treatment of its subject matter. Klingaman's portrayals of Japan and the Soviet Union or the brink of war are quite cursory and drawn from a very narrow selection of sources, compared with his far fuller accounts of Britain and America. (The treatment of Germany falls somewhere in between.) The disparity does not seem to reflect a judgment of historical significance, but simply the far larger volume of available contemporary writing on the British and American experience.

Nonetheless, "1941" is well worth reading for its portrayal of the spirit, mood and texture of the times. It was, in a single readable volume, a refresher course on some of the major early turning points of World War II. In addition, by presenting the year's events panoramically, instead of pursuing one or another subject more narrowly as conventional histories tend to do, Klingaman succeeds in persuading us that 1941 was indeed one of those milestone years, transforming the world and changing irrevocably the lives of virtually everyone living or yet to be born.

"1941" may have a special impact for one group of readers: those who were born, as I was, during that year. Writing about that age group, I once observed that we 1941 babies seemed to resemble survivors from some vanished civilization, "like children in a flood, led away from our native village just as the waters poured over to drown it forever." Reading William Klingaman's vivid account of the world that year, a world on the edge, brought that feeling back once again.

Arnold I. Isaacs is the author of "Without Honor: Defeat in Vietnam and Cambodia." He wrote this for The Washington Post.

### BRIDGE

By Alan Truscott

THE second Royal Viking continent-wide game was played recently at clubs throughout North America. This follows the successful precedent of the Epsom World Pairs in which the diagrammed deal was played June 4. The official analyst pointed out that four hearts could be made if the lead was helpful, but Howard Fitch of Andover, Massachusetts, made a useful overtrick with no help at all.

Two diamonds was a Drury convention variation, and a diamond was led. Fitch finessed, won with the ten and repeated the finesse. He

finessed the club jack, and West won with the ace and led a third diamond to dummy's king, allowing a spade discard. A spade to the queen proved to be another successful finesse, and the club king was cashed. A low heart lead forced West to duck, and the queen won. The diamond ace provided another spade discard, and as East could not ruff, the position was clear. Fitch ruffed the club, cashed the spade ace and led the heart eight to endplay West at the finish.

In events of this type the match points are predetermined. When the deal was over, Fitch knew that he had scored 89 out of a possible 100.

**NORTH (D)**  
 ♠ 9 5 4  
 ♥ A 10 9 8  
 ♦ A K J 8  
 ♣ A 10 9 8 7

**EAST**  
 ♠ K 8 3 2  
 ♥ Q 7 6  
 ♦ Q 7 5 3  
 ♣ Q 10 8 5 2

**SOUTH**  
 ♠ A Q 10 8  
 ♥ 7 5 4  
 ♦ 10 9 8  
 ♣ K 7

North and South were vulnerable.  
 The bidding:  
 North East South West  
 Pass Pass 10 P Pass  
 Pass Pass 4 P Pass  
 Pass Pass 4 P Pass

West led the diamond two.

### World Stock Markets

Via Agence France Presse Closing prices in local currencies, Sept. 28

Market	Index	Change	Prev.
<b>Amsterdam</b>	317.00	+1.25	315.75
<b>Antwerp</b>	317.00	+1.25	315.75
<b>Belgium</b>	317.00	+1.25	315.75
<b>Brussels</b>	317.00	+1.25	315.75
<b>London</b>	317.00	+1.25	315.75
<b>Paris</b>	317.00	+1.25	315.75
<b>Stockholm</b>	317.00	+1.25	315.75
<b>Oslo</b>	317.00	+1.25	315.75
<b>Helsinki</b>	317.00	+1.25	315.75
<b>Copenhagen</b>	317.00	+1.25	315.75
<b>Warsaw</b>	317.00	+1.25	315.75
<b>Prague</b>	317.00	+1.25	315.75
<b>Budapest</b>	317.00	+1.25	315.75
<b>Bombay</b>	317.00	+1.25	315.75
<b>Rangoon</b>	317.00	+1.25	315.75
<b>Calcutta</b>	317.00	+1.25	315.75
<b>Canton</b>	317.00	+1.25	315.75
<b>Hankow</b>	317.00	+1.25	315.75
<b>Tientsin</b>	317.00	+1.25	315.75
<b>Yokohama</b>	317.00	+1.25	315.75
<b>Kobe</b>	317.00	+1.25	315.75
<b>Manila</b>	317.00	+1.25	315.75
<b>Singapore</b>	317.00	+1.25	315.75
<b>Batavia</b>	317.00	+1.25	315.75
<b>Sourabaya</b>	317.00	+1.25	315.75
<b>Samarang</b>	317.00	+1.25	315.75
<b>Solo</b>	317.00	+1.25	315.75
<b>Surabaya</b>	317.00	+1.25	315.75
<b>Medan</b>	317.00	+1.25	315.75
<b>Pekan</b>	317.00	+1.25	315.75
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Foresight In Tokyo And Bonn

PARIS — The population of Japan and West Germany have virtually stopped growing...

OLYMPIC RESULTS

MEDALS

Table showing medal counts for various countries in the Olympics.

FENCING

WOMEN'S TEAM FOIL Final: West Germany (Anita Pichler, ...)

EQUESTRIAN EVENTS

TEAM JUMPING FINAL: West Germany (Dirk Beckmann, ...)

JUDO

HALF-MIDDLEWEIGHT (77.5 and 78 kg) FINAL: Gold medalist: ...

TRACK AND FIELD

FINALISTS: 1,000 METERS: J. DeLoatch, U.S., 2:32.33 seconds...

BASEBALL

DEBATE: 1,000 METERS: J. DeLoatch, U.S., 2:32.33 seconds...

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OLYMPICS ON TV

THURSDAY, SEPT. 29: 10:00 AM-11:00 AM: P.M. 17:15: ...

FRIDAY'S EVENTS

DAY 14 (CALL TIMES GMT): 10:00 AM-11:00 AM: ...

SOX BOMBED AGAIN; 3 TEAMS 3 1/2 BEHIND

Compiled by Our Staff From Dispatches: BOSTON — The Red Sox have it wrapped up, right? Can't miss? Well...

BASEBALL ROUNDUP

BASE in the American League East: The Red Sox still lead Detroit, New York and Milwaukee by 3 1/2 games with five left to play...

SCOREBOARD

Tuesday's Line Scores

Table showing baseball scores for Tuesday's games.

Major League Standings

Table showing major league standings for various teams.



Walker Thomas, Boston's relief pitcher, greeted after a three-run first-inning homer in Boston.

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PARS AGO

With dramatic scenes of peace...



# SPORTS // 1988 SUMMER OLYMPICS

Спортсмены

**IEFS**  
Thatcher, heavily in the lead, determined that he would win. "I told a member of the British Olympic delegation that I would win," he said.

**Military Budget**  
Representatives approved a budget for the military that would allow for a 4.5% increase in spending over the previous year.

**Tibetan Protest**  
A small demonstration took place in Lhasa on Tuesday, as Tibetans gathered to mark the anniversary of the 1959 uprising.

**Angola Talks**  
Delegates from the United Nations and the governments of Angola, Cuba and the U.S. met in Geneva to discuss the conflict.

**Leaders in Bonn**  
The German government announced a new coalition government led by Helmut Kohl.

**UPDATE**  
News from the front lines of the conflict in the Middle East.

**Sergei Bubka of the Soviet Union soars over the pole vault bar at 5.70 meters on his way to the gold medal height of 5.90.**



## Bubka Wins Vault, DeLoach Beats Lewis in 200

**SERGEI** Bubka of the Soviet Union won the gold medal in the pole vault on Wednesday, clearing a height of 5.90 meters, bettering his own world record of 5.70 meters set in 1984. Bubka, who has extended the world record nine times, cleared the bar by 19 centimeters. He finished with a total score of 6.10, well above the silver medalist Rodion Gatulin of the Soviet Union, who cleared 5.85 meters.

Reynolds and Everett of the U.S. Olympic team were the only Americans to finish the vault. Reynolds finished with a score of 4.93, and Everett was third in 44.09. "I wanted to get out pretty fast and hold the second curve," he said. "When I realized I was strong enough to come home, I raced to the tape. I felt Danny and Butch coming on, but then it was a matter of holding on."

Joe DeLoach, who is not related to Steve DeLoach, won the 200-meter dash on Tuesday. DeLoach, who finished second to Steve DeLoach in the 200, and thus, lost his chance to win gold medals in the same four events he won in 1984. On Monday, he won the 100-meter dash. On Tuesday, he was awarded the gold for the 100 meters after Ben Johnson of Canada was stripped of his medal after testing positive for drug use.

DeLoach's winning time, 19.75, matched the second-fastest in history and lowered the Olympic record of 19.80 set four years ago. The two are training partners in Houston, and DeLoach gave much of the credit for his development to Lewis. "This is a tremendous thing that's happened," Lewis said. "Americans sweep the 100 and 200 meters. It's just a matter of time before one of them wins the 200."

Earlier in the day, Debbie Flintoff-King of Australia won the women's 400-meter hurdles in an Olympic record 53.17 seconds. Tatiana Ledovskaja of the Soviet Union was second, with Ellen Fielder of East Germany third. Flintoff-King, 23, of Melbourne, did not know she had won for several minutes. She found out only by watching the instant replay on the huge TV screen in the Olympic Stadium scoreboard, and jumped up and down in glee when she saw herself lead Ledovskaja in the finish. Flintoff-King finished sixth in the 1984 Olympics in Los Angeles.

Florence Griffith Joyner led all qualifiers into the semifinals of the women's 200 meters with a time of 22.51 seconds, which broke her American record. She is expected to win her second gold medal in the event Thursday. She won the 100 meters over the weekend and still has the 400-meter relay to go. "It was a painful day for at least two athletes, Jurgen Hingsen of West Germany, the former world record holder in the decathlon, and Pam Marshall of the United States in the women's 200 meters."

## Another Peaceful Day Afield

**SERGEI** Bubka of the Soviet Union, the world record holder in the pole vault, came within a hair of not winning a medal Wednesday. Then he stalked off after finishing the vault, the former decathlon world record holder started out after being disqualified in the opening event. Bubka began vaulting like all the Soviets, at 18 feet, 8 3/4 inches (5.70 meters), when most of the other competitors already had been eliminated. At 19-4 1/2, he first missed badly, and his second an absolute mess. On his last try, he hit the bar. It bounced atop the stanchion, then hung on the far corner of the support. Bubka raised his arms as if to keep the bar from falling. When it did not, he began jumping about in an uncharacteristic outburst of joy. Had it fallen, Bubka—who has dominated pole vaulting for years—wouldn't have won a medal.

When he had wrapped up the gold, he asked that the bar be set at 20 feet. "But when the few thousand people left in the stadium burst into applause, I felt Frenchman Christian Pliazzi's high jump in the decathlon at the other end of the stadium. Bubka slumped down his pole and walked off. "I am proud to be a part of the team," he said. "I felt I had a chance to win just like everybody else."

DeLoach's time of 19.75 broke Lewis' Olympic record of 19.80 in winning the 1984 gold medal in Los Angeles. Only Pietro Mennea's 1979 world record of 19.72 is faster. Lewis, who ran 19.75 in 1983, ran 19.79 here. He was favored to win his third gold medal en route to equalling his four golds of 1984, but his friend ended his chances. "I hoped no one would ask me about that," said DeLoach. "I really hate that, but that's what the game is all about. There are going to be disappointments and joys. This is a lifelong dream for me. This is the ultimate. It really means a lot, but I hate that I was the one to stop Carl's dream."

DeLoach comes from Bay City, Texas, and is entering his senior year at the University of Houston. Lewis, a Houston graduate, helped recruit him. Lewis and DeLoach train in Houston under Tom Telzer, their college coach. "Before I started training with Carl," said DeLoach, "I could run 19.75. He just ran a tremendous race," said Lewis. "I'm a little surprised I ran as fast as I did, so I'm happy my second. He did it all himself. I'm proud of him for that. I'm proud I was able to run a great time in the final, and that was a great time no matter where I finished."

## This Defeat May, at Least, Bring Out the NBA

**SEUL**—Now that the Soviets have turned the U.S. basketball team into a bronze bust at best, the white fermented by American sour grapes might demand that National Basketball Association players be allowed to compete in the Olympics. And for the good of the game, even the wily white-haired Soviet coach, Alexander Gomelsky, the real Red on Roundball, hoped that happens. "If NBA players go into Olympic Games, all people see basketball progress," Gomelsky said in his chidingly accented English. "I'm basketball man. I like basketball to be up to be No. 1 sport in the world. Larry Bird, Magic Johnson, Michael Jordan. This year not possible. But 10 years possible."

Maybe four years possible. With the Olympics already open to National Hockey League players, pro tennis players and pro soccer players (except for European and South American World Cup team members) as well as "pros" in track and field and skiing, can NBA players be far behind? "Supplying some players and perhaps a coach for the 1992 U.S. team is the least the NBA can do after helping arranged exhibition games that helped prime the Soviet team that dominated the United States, 82-76, in the Olympic semifinals. Unlike the NHL's schedule conflict with the Winter Games, the NBA's schedule is compatible with the Summer Games. But it won't be easy to get all the best players. Some NBA chibworths surely will object to their multimillion-dollar properties risking injury in the Olympics."

Another question: how much would each of the NBA players be paid? Or would they be willing to do it for God and country? Another question: could the NBA coexist with the International Basketball Federation that rules Olympic basketball. In any event, it's unlikely that a future Olympic team would be the NBA all-star team. But it could be dominated by a few NBA players who simply want to win an Olympic medal. Especially now that the Soviets have a two-game winning streak against the United States. "The Russians have poise and maturity," John Thompson, the U.S. coach, had warned. "There's no team here that knows each other more and plays as well together."

Several months ago Thompson complained that the NBA was helping the Russians by promoting exhibition games with the Milwaukee Bucks and the Atlanta Hawks. And he griped about the Portland Trail Blazers arranging for Arvids Sabonis to work out in Oregon while rehabilitating a damaged Achilles' tendon under the care of their team physician. "Coach Thompson, great coach, but he's not foreign minister," Gomelsky said. "Today U.S. Olympic Union has good contact in politics, economics, sports. People sleep, no problems. Maybe coach Thompson do not understand this."

Maybe most people in America and Russia do sleep better now that glasnost has deiced the cold war somewhat. But for the next few nights Thompson might be second-guessing himself for not having chosen another three-point shooter to offset Rimas Kurnaitis, be with the blond rat-tail haircut. He had 28 points, and four three-point baskets, as many as all the Americans. Thompson's only real outside shooter, Hensey Hawkins, remained on the bench with a damaged knee. "I think the player we could've used was Hensey," Thompson said. "If we could've nailed those three-pointers, we'd have had a better chance."

After the Americans closed to 52-50 early in the second half, the Soviets surged ahead, 65-57, and never let their lead get less than 79-76. They had shattered Thompson's press by running picks off Sabonis, the skyscraper who reduced J.R. Reid to resembling a six-story apartment house. Only 23 years old, Sabonis had 13 points and 13 rebounds. If healthy, he would be a force in the NBA if and when the Soviets allow him to join the Trail Blazers. "Sabonis is a presence on the court, he's also an excellent passer," said Thompson, finally unable to hide his annoyance with the Trail Blazers' arrangement. "He had to be improved. He's been working hard all summer against America's finest."

America's finest, judging by that remark, are the NBA players, not his Olympic team of NBA rookies and collegians. But now that the Americans must defeat Australia to salvage the bronze medal, some NBA players might be willing to sacrifice their June and July in 1992 to prepare for the Games in Barcelona and restore some basketball respect for the United States. In 1992, some of this year's Olympians, notably Danny Manning, might even want to return for another shot at the Russians. Manning, who will join the Los Angeles Clippers as the very first choice in the NBA draft, didn't score. Zero. zilch. After having been on the bench for the last 17 minutes of the first half with two personal fouls, he took a total of only four shots. He had only three rebounds and no assists.

"It was," Manning said later, "one of the biggest disappointments of my life." Thompson also acknowledged the "disappointment" at not winning the gold medal that the United States has considered its own. But he told his players that he didn't want to see any tears. "They're very disappointed. I'm very disappointed," the coach said. "But there'll be life after."

But when he had wrapped up the gold, he asked that the bar be set at 20 feet. "But when the few thousand people left in the stadium burst into applause, I felt Frenchman Christian Pliazzi's high jump in the decathlon at the other end of the stadium. Bubka slumped down his pole and walked off. "I am proud to be a part of the team," he said. "I felt I had a chance to win just like everybody else."

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## Joy in Mudville: U.S. Baseball Team Grabs Gold

**SEUL**—It ended the way Hollywood would have written it, the way any American who had ever seen Jim Abbott pitch wanted it to. It felt like it does when your team wins a seventh game of the World Series. It was a game never to be forgotten by those who played it. And when it was over, when the United States had beaten Japan, 5-3, in a tense and dramatic demonstration baseball game Wednesday for the Olympic gold medal, Abbott found himself at the bottom of a 20-player pileup of a celebration on the pitcher's mound, his face ground into the dirt. His elation transcended anything he had ever felt.

"It was my dream of a lifetime," said the one-handed pitcher who worked his way through a six-inning jam that almost sent him to the bench and who made the fielding play of his life in the eighth inning. When the American players unraveled from their human pyramid, the team took off on a masse in a victory lap around the outfield, all 20 of them running together, several carrying American flags that rippled in the breeze. It was the magic moment they had worked all summer for, spent the last six weeks abroad struggling to get to and — to their everlasting joy — made the most of when they got their chance.

In these Olympics, baseball was a "demonstration" sport. It will be a full-fledged sport starting in the 1992 Games. But the Americans and Japanese played as if this were the show-down game of a World Series. Tino Martinez supplied the power for the Americans, with two home runs and four runs batted in, and defense, with 15 putouts at first base, digging several throws out of the dirt as the Americans clung perilously to the lead. The play of the game, which pumped the Americans to an emotional crest, came in the bottom of the eighth. With a runner at first, Japan's Hirofumi Ogawa smashed a one-

hop drive back to the mound. Abbott was ready for it, having in a blink transferred his glove from his right stump onto his left pitching hand. But eager for a doubling play, he let the ball pop out of the mitt. It rolled half way toward first base. Abbott, a University of Michigan all-American, chased the ball down and, scooping it up as he stretched out his body in a huge toward first base all in one motion, shoveled the ball with just enough on it to nip Ogawa. Immediately, Martinez called time, walked over and patted Abbott on the backside. Abbott, who had lauded hard on the ground, pulled himself together and retired the last five batters of the game on five infield outs, third baseman Robin Ventura handling all three in the bottom of the ninth.



In a heat of the 3,000-meter steeplechase, William Van Dijk of Belgium, right, splashes his way to qualification. Puerto Rico's Etrian Garcia, left, a first baseman, celebrates with pitcher J. Feliciano after the team defeated South Korea for the baseball bronze medal.



In a heat of the 3,000-meter steeplechase, William Van Dijk of Belgium, right, splashes his way to qualification. Puerto Rico's Etrian Garcia, left, a first baseman, celebrates with pitcher J. Feliciano after the team defeated South Korea for the baseball bronze medal.

ART BUCHWALD

Trumping Sour Grapes

WASHINGTON — The worst mistake I made recently was to tell people that during the summer I had been a guest on Donald Trump's zillion-dollar yacht, the Trump Princess. I thought they would be delighted that not only had one of their friends made the big time, but had even walked the decks of the largest private boat in the world.



Buchwald

Instead, they could not have been more shocked. It was as if I had played racquetball with the Ayalollah Khomeini. "How could you go on Trump's boat?" one of my friends asked. "I had no choice," I protested. "I have relatives in Atlantic City."

"But don't you know that the man is?" another woman said. "What is he?" "He's pushy," she replied. "That's not a reason to refuse to set foot on his boat," I said. "Did I tell you that I was previously owned by Adnan Khashoggi, the Middle Eastern wheeler-dealer? They say he used to smuggle his women on board by helicopter. I just wanted to see how he did it."

Church Gets Mystery Gift
The Associated Press
MORTEHOE, England — St. Mary Magdalene Church's 900-year-old Norman tower, one of Britain's oldest, will be restored thanks to a mysterious benefactor who gave £25,000 (\$42,000).

Gordon Parks Focuses On the Years of Anger

By Elizabeth Kastor
Washington Post Service
NEW YORK — Perhaps, Gordon Parks thinks, the dreams that now fracture his nights were born of all those letters and books and pictures. His papers, covered by libraries in New York, Boston and Kansas, waited in piles around his apartment for days as he sorted through them, and somehow the past seeped out of them and keeps him from sleeping.



Gordon Parks

Everything he writes is fueled by a determination to be a model. Parks writes in a determined, almost mechanical, way. He writes to be read. He writes to be understood. He writes to be remembered. He writes to be a model.

I've got a lot of tool shops in my mind that need exploring.
Gordon Parks

PEOPLE

Early Release Ordered For John Zaccaro Jr.

John Zaccaro Jr., 24, the son of the 1984 Democratic vice-presidential candidate, Geraldine Ferraro, has been released a month early from a house arrest program in Burlington, Vermont. He was convicted in April of selling cocaine. The sentence caused an uproar as Zaccaro spent it in a \$1,500-a-month apartment. Governor Madeleine Kunin has changed the program so that no person convicted of selling drugs may participate in it in the future. Zaccaro was released early for good behavior.

A Jane Austen manuscript containing two early novels has been purchased for \$224,000 at an auction in London by the British Library, ending speculation that it would leave Britain. The third volume of 'Juvenilia' was written by Austen when she was 17. It includes the novel 'Catherine, or the Bower,' described as Austen's first serious work of fiction.

Joan Collins says divorce is painful, she isn't looking for husband No. 5 and torture for her would be standing every week in line in a supermarket. In the London 'Dynamite' series, said writing her first novel 'Prime Time,' which is being published in Britain next week, helped her get through the agony of her divorce from Peter Holm.

Billy Carter was a down-home boy, and the country music singer, Tom T. Hall, decided that former President Jimmy Carter's younger brother deserved the kind of send-off he would have wanted. At the funeral in Plains, Georgia, Hall, a longtime friend of Billy, who died Sunday of cancer, would let his services begin until all the men had removed their ties. 'Billy Carter isn't wearing a tie today, and the family has asked you gentlemen if you would remove your ties.'

Yves Montand visited the Santiago home of the Reverend Andujar Jarama, the French activist priest who was slain in 1964 during demonstrations against the military government in Chile. The French actor-singer left a bouquet of red carnations at the working-class chapel and residence where Jarama was shot.

Advertisement for 'A WORLD OF JOB OPPORTUNITIES' with contact information for 'INTERNATIONAL POSITIONS'.

Advertisement for 'USADIRECT' featuring 'CALLING THE STATES FROM OVERSEAS HAS NEVER BEEN EASIER WITH USADIRECT SERVICE'.

Advertisement for 'AUSTRALIA' with contact number '0014-881-011'.

Advertisement for 'BELGIUM' with contact number '11-0010'.

Advertisement for 'BR. VIRGIN IS.' with contact number '1-800-872-2881'.

Advertisement for 'DENMARK' with contact number '0430-0010'.

INTERNATIONAL CLASSIFIED

Large classified section containing various job openings, recruitment notices, and business services under the heading 'INTERNATIONAL CLASSIFIED'.

Real estate listings for 'REAL ESTATE FOR SALE' in various locations like Monaco, Montecarlo, and Paris.

Real estate listings for 'THE CONRUB HOTEL' and 'LUSA RESIDENTIAL'.